MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Schlossberg, Brown, Carlson, Barofsky and McRae

FROM: Deborah Hart, CFO and Aaron Balmer, General Accounting & Treasury Supervisor

DATE: March 26, 2021

SUBJECT: 2020 Year-end Audited Financial Statements and Communications with Those Charged with Governance (Management Letter)

OBJECTIVE: Information Only

Included with this backgrounder are the 2020 Audited Financial Statements and Management Letter. EWEB's independent auditors, Moss Adams, will discuss the audit process, financial statements, and internal control recommendations.

Attachments:

2020 Audited Financial Statements

Moss Adams' Communications with Those Charged with Governance (Management Letter)

EWEB

Eugene Water & Electric Board

Independent Auditor's Reports and Financial Statements

December 31, 2020 and 2019

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Board of Commissioners

Mr. Steve Mital	Wards 1 & 8	President
Ms. Mindy Schlossberg	"At Large"	Vice-President
Mr. John Brown	Wards 4 & 5	Member
Ms. Sonya Carlson	Wards 6 & 7	Member
Mr. Dick Helgeson	Wards 2 & 3	Member

Officers

Mr. Frank Lawson	General Manager, Secretary
Ms. Anne Kah	Assistant Secretary
Ms. Deborah Hart	Treasurer
Mr. Aaron Balmer	Assistant Treasurer

Commissioners' contact information may be found at www.eweb.org. Written communication may be sent to the attention of commissioners or officers at this address:

EWEB
4200 Roosevelt Boulevard
Eugene, OR 97402

Report of Independent Auditors

The Board of Commissioners
Eugene Water & Electric Board

Report on the Financial Statements

We have audited the accompanying statements of net position of the Electric System, Water System and Combined Total Systems, and the statements of fiduciary net position of the Retirement Benefits Trust (the Trust) of Eugene Water & Electric Board (the “Board”), as of December 31, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and cash flows of the Electric System, Water System and Combined Total Systems for the years then ended, and the statements of changes in fiduciary net position of the Trust for the years then ended, and the related notes to the financial statements, which collectively comprise the Board’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Electric System, the Water System, Combined Total Systems and the Retirement Benefits Trust of the Board as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows for the Electric System, the Water System, and Combined Total Systems, and changes in financial position for the Retirement Benefits Trust of the Board for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of contributions – pension, schedule of employer contributions – post-employment health care benefits, schedule of changes in total OPEB liability and related ratios – post-employment health care benefits, and the schedule of investment returns – post-employment health care benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's financial statements. The Electric System and Water System long-term bonded debt and interest payment requirements (including current portion) schedules and the Electric System and Water System analysis of certain restricted cash and investments for bond service schedules and sustainability accounting standards disclosures ("supplementary information") are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards for Audits of Oregon Municipal Corporations*, we have issued our report dated March 19, 2021, on our consideration of the Board's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statues as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Julie Desimone

For Moss Adams LLP
Portland, Oregon
March 19, 2021

The following discussion provides an overview of the financial results of the Eugene Water & Electric Board (EWEB) for the years ended 2020, 2019, and 2018. This unaudited discussion is intended to be used in conjunction with the financial statements and note disclosures following this section.

EWEB is the largest publicly-owned electric and water utility in Oregon. The City of Eugene (the City) commenced utility operations in 1908 with the purchase of a privately-owned water system. In 1911, upon completion of the City's first municipal hydroelectric power plant, the City organized the Eugene Water Board to operate the City's electric and water utilities. The name of the Eugene Water Board was changed to the Eugene Water & Electric Board in 1949.

EWEB is chartered by the City and supplies electric and water service within the city limits of Eugene and to certain areas outside the city limits. EWEB operates as a primary government, and is not considered a component unit of the City. EWEB is governed by a five member Board of Commissioners who are elected by voters residing in the City. The Board of Commissioners has authority to set prices for water and electric services. Prices are set based on the cost of service delivery, including operating, capital, and debt service expenses.

The Statements of Net Position report assets, deferred outflows, liabilities, deferred inflows and net position as of the end of the financial year, December 31. The Statements of Revenues, Expenses and Changes in Net Position report revenues and expenses occurring during the financial year. The Statements of Cash Flows report cash from operating activities, investing activities, non-capital financing activities as well as capital and related financing activities.

Electric System

The Electric System supplies service to 95,000 residential, commercial, and industrial customers within the City of Eugene and areas along the McKenzie River between the cities of Walterville and Vida where two of EWEB's hydro-power plants are located. The total service area covers 236 square miles. The Electric System owns and operates approximately 1,100 circuit miles of overhead and underground distribution lines, 129 circuit miles of transmission lines, and 38 distribution substations. Power delivered to customers is supplied by Bonneville Power Administration (BPA) contracts, EWEB-owned generation resources, other contracted resources, and purchases from the wholesale energy markets. EWEB's power supply sources are primarily hydro-power, but also includes wind, biomass, steam, and solar.

2020	MWh	
Hydro-power	2,583,553	62%
Wind	186,900	4%
Steam	231,357	6%
Biomass	121,193	3%
Other market purchases	1,047,442	25%
	4,170,445	100%

2020	MWh	
EWEB-owned generation	530,943	13%
Contracted generation	2,592,060	62%
Market purchases	1,047,442	25%
	4,170,445	100%

Net Operating Revenue

Electric System net operating revenue for 2020 increased compared to 2019. This is due in part to increased generation from EWEB owned resources and BPA Slice product. In 2019, higher power market prices in the first quarter influenced the rise in both revenues and expenses compared to prior years. Also in 2019, a change in accounting for certain wholesale market transactions presented figures at gross amounts whereas 2018 netted similar transaction amounts during the year. The change did not influence net operating revenue.

2020 was marked by COVID-19 and wildfires. Financial impacts from COVID-19 were most apparent in the revenue collection cycle and in reduced sales among retail customer classes. Less noticeable measures taken on the expense side, include curtailed business travel and training following social distancing guidelines.

Oregon wildfires in the fall of 2020 severely damaged areas of the service territory along the McKenzie River and a separate fire damaged transmission lines critical to the Stone Creek Project. Restoration efforts totaled nearly $5 million in 2020 with work continuing into 2021. FEMA public assistance is expected to reimburse 75% of eligible restoration costs. A snowstorm in February 2019 caused severe outages in the region. Restoration efforts totaled over $4 million. FEMA reimbursement of 75% of eligible restoration costs were received in 2020. 2018 did not have severe events requiring extensive restoration.

	Electric System – Net Operating Revenue				
(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Operating revenue	$ 243,900	$ 263,339	$ 248,973	$ (19,439)	$ (5,073)
Operating expense	(241,732)	(262,654)	(232,694)	20,922	(9,038)
Net operating revenue	$ 2,168	$ 685	$ 16,279	$ 1,483	$ (14,111)

Operating Revenue

Operating revenue varies from year to year based on customer load, generation available for sale, and corresponding power market prices. Residential customers make up approximately 90% of EWEB's customer base and approximately 50% of customer revenue. Historically, sales to residential customers are variable based on weather trends. Loads peak in the winter especially with extreme cold events as opposed to summer heat. Weather for 2020 was slightly milder than average. 2019 had colder winter temperatures especially early in the year.

Recent residential price adjustments have been as follows:

2020	No change
2019	No change
2018	No change

Commercial and industrial accounts make up approximately 10% of the EWEB customer base, and approximately 50% of customer revenue. Commercial and industrial sales are more reactive to economic conditions rather than weather. Measures taken to stop the spread of COVID-19 restricted businesses ability to operate to varying degrees throughout much of 2020. Reduced commercial and industrial sales in 2020 compared to 2019 were also impacted by the closure of a large industrial customer in May 2020. The closure was announced prior to COVID-19 impacts. 2019 commercial and industrial sales were in line with expectations and level compared to prior years.

	Electric System – Sales to Customers				
(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Residential	$ 99,374	$ 100,560	$ 97,673	$ (1,186)	$ 1,701
Commercial and industrial	92,941	100,605	102,214	(7,664)	(9,273)
	$ 192,315	$ 201,165	$ 199,887	$ (8,850)	$ (7,572)

	Electric System – Sales to Customers mWh				
	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Residential	929,317	938,625	914,754	(9,308)	14,563
Commercial and industrial	1,331,978	1,429,042	1,427,882	(97,064)	(95,904)
	2,261,295	2,367,667	2,342,636	(106,372)	(81,341)

EWEB sold power supply in excess of load into the wholesale markets. The Electric System has an active hedging program to manage price risk associated with wholesale power sales. 2020 prices were lower due to increased hydro-electric generation in the region. Several factors contributed to higher wholesale prices in 2019, including reduced supply due to unfavorable hydro conditions in the region, low renewable resources availability, and limited natural gas supply.

	2020	2019	2018
Retail sales	$ 192,315,036	$ 201,165,722	$ 199,887,212
Retail volume	2,261,295	2,367,667	2,342,636
Average price per mWh	$ 85.05	$ 84.96	$ 85.33
Wholesale sales	$ 43,909,185	$ 51,885,415	$ 41,201,400
Wholesale volume	1,854,372	1,588,379	1,477,941
Average price per mWh	$ 23.68	$ 32.67	$ 27.88

Operating Expenses

Electric System operating expenses include purchased power and wheeling. Prices are set for BPA and contracted resources by their respective contracts, which may escalate over time. Market purchases are made at times when resources aren't adequate for customer load or to support the EWEB hedging program and are subject to price variability to the extent those sales are not fully hedged. Purchased power costs decreased in 2020 compared to 2019 due to lower market prices. Purchased power volume was comparable from 2019 to 2020. An accounting change for contracted power trades occurred in 2019. Relative to 2018, gross amounts are recorded for offsetting purchase and sale transactions for the same delivery period and the same location, rather than net amounts presented in 2018. The Foote Creek wind generation project in Wyoming was sold in July 2019, and as a result wheeling costs decreased in 2019 and 2020.

Transmission and distribution expenses were higher in 2020 and 2019 due to restoration efforts following September 2020 wildfires and a severe snowstorm in February 2019.

The Electric System's allocation of shared costs with the Water System was updated in 2019 to 80% from 82%. The 2% decrease contributed to declines in customer accounting and administrative and general in 2019. In 2020, the COVID-19 pandemic caused many businesses to reduce operations or close and led to increased costs for collections and customer assistance. Increases in conservation expense were from rebate programs in energy conservation as well as load growth incentives to support business development.

In 2019, depreciation costs increased. EWEB received a forty-year operating license for the Carmen-Smith Hydroelectric Project. Preliminary costs for implementing the license were placed into service and are being amortized over the term of the license. Depreciation expense decreased in 2020 as depreciation associated to the Leaburg hydroelectric project was not recognized. In 2020, the Leaburg hydroelectric project was moved to property held for future use. FERC ordered the project to dewater the canal which forced the generation plant offline.

Electric System – Operating Expenses					
(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Purchased power	$ 134,594	$ 153,922	$ 125,272	$ (19,328)	$ 9,322
System control	4,637	4,269	4,383	368	254
Wheeling	11,248	13,107	13,312	(1,859)	(2,064)
Steam and hydraulic generation	12,142	12,277	12,824	(135)	(682)
Transmission and distribution	24,510	24,526	22,585	(16)	1,925
Customer accounting	8,242	7,668	7,990	574	252
Conservation expenses	4,014	3,633	3,299	381	715
Administrative and general	20,751	20,467	21,892	284	(1,141)
Depreciation on utility plant	21,594	22,785	21,137	(1,191)	457
Operating expenses	$ 241,732	$ 262,654	$ 232,694	$ (20,922)	$ 9,038

Other Non-operating Revenue, Expense, and Capital Contributions

For the Electric System, non-operating revenue was primarily miscellaneous revenue from sources unrelated to core business functions, including investment earnings, rental revenue and claims revenue. In 2020, non-operating revenue included recognition of a $3.1 million public assistance grant from FEMA tied to the 2019 snowstorm. Additionally, earnings from equity investments, WGA and Harvest Wind, were especially strong, $3.2 million in 2020 as compared to $2.2 million in 2019. In 2019, non-operating revenue increased compared to 2018 primarily due to settlement of a claim for damages incurred on a hydro-generating project. Non-operating expense is primarily interest expense for long-term debt and other revenue deductions including taxes and losses on the disposition of property. A bond issuance in 2020 refunded prior debt and reduced associated interest expense compared to 2019. 2019 non-operating expenses were lower than in 2018. Non-operating expenses included a $4.1 million accounting loss on the disposition of surplus riverfront property in 2018.

Capital contributions represent amounts customers contribute to construct assets that become part of plant in service for the Electric Utility. Capital contributions can fluctuate due to the timing of customer-driven work.

(in thousands)	Electric System – Non-operating Revenue and Expense				
	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Non-operating revenue	$ 11,960	$ 10,273	$ 8,292	$ 1,687	$ 3,668
Non-operating expense	(7,637)	(8,723)	(12,056)	1,086	4,419
Capital contributions	2,806	2,606	4,274	200	(1,468)
Total	$ 7,129	$ 4,156	$ 510	$ 2,973	$ 6,619

Special Item

In 2019, the Electric System made a $16.7 million deposit to an Oregon Public Employee Retirement System (OPERS) side-account. It reduced EWEB's employer contribution rate as of November 1, 2019, and will provide ongoing savings. In addition, this deposit received a $4.2 million match from the state's Employer Incentive Fund. There were no special items in 2020.

Total Assets and Deferred Outflows of Resources

Total assets for the Electric System include utility plant net of depreciation, current assets representing cash and investments, accounts receivable, materials inventory, pre-paid expenses, long term investments, and non-current assets such as jointly-owned companies accounted for under the equity method for investments.

Current assets are influenced by cash balances, investments having maturities one year or less, and changes in balances of customer and other receivables at year end. Investment activity in 2020 increased the amount of securities with maturities beyond one year and shifted investment balances to the non-current classification. Receivable balances were steady from 2018 to 2019 and declined in 2020, despite challenges in the revenue collection cycle due to COVID-19. EWEB voluntarily suspended disconnects for 5 months during the spring and summer in response to increases in unemployment and local economic difficulty. Customers were provided with various forms of assistance, including zero or low interest loans. Overall, the receivable balance declined year over year as a result of warmer temperatures in November and December 2020 as compared to 2019. In 2019, current assets decreased compared to 2018 due to a payment of $16.7 million to OPERS.

A bond issuance in 2020 increased restricted reserves for future construction projects by $46 million. Investment activity in 2020 increased the amount of securities with a maturity beyond one year. In 2019, the investments classified as non-current decreased compared to 2018 due in part to overall portfolio reductions. Reduced purchase activity for investment securities increased amounts classified as current, and current funds were used for payments to OPERS. Within preliminary investigations, $23.5 million of preliminary costs associated with the Carmen-Smith operating license moved to plant in service during 2019, and an additional $7.8 million was moved to construction work in progress in 2020. The regulatory asset for pension debits declined by $17.1 million in 2019 as costs were recognized in the current year through payroll and special one-time contributions. In 2020, regulatory assets for pension debits increased as recognized costs were less than the actuarily determined expense amount. EWEB has elected to use regulatory accounting for pension and OPEB reporting and recognizes expenses as contributions are paid.

Deferred outflows of resources represent transactions occurring in future periods and are not classified as assets. 2020 deferred outflows of resources decreased due to a reduction of pension contributions after the measurement date for actuarial reporting. They had increased in 2019 with $20.9 million paid under the PERS Employer Incentive Fund program where PERS offered a 25% match to employer contributions.

Electric System – Assets and Deferred Outflows

(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Net utility plant	$ 429,157	$ 407,800	$ 367,758	$ 21,357	$ 61,399
Current assets	147,456	153,657	170,448	(6,201)	(22,992)
Non-current assets	125,995	87,369	150,381	38,626	(24,386)
Deferred outflows of resources	43,938	52,351	45,530	(8,413)	- (1,592)
Total assets and deferred outflows of resources	$ 746,546	$ 701,177	$ 734,117	$ 45,369	$ 12,429

Capital Asset Activity
Capital projects for the Electric System are categorized as Compulsory, Strategic, or Risk Based Elective Improvements.

Compulsory work is mandatory to ensure EWEB meets minimum service, regulatory, and safety requirements. Compulsory work develops from both internal and external drivers. There is minimal opportunity to change the compulsory portion of capital plans due to legal and policy requirements.

Strategic projects and programs are derived from strategic direction and are typically multiyear and multimillion-dollar efforts. Strategic improvements are moderately flexible in nature and can be balanced with efforts to prioritize compulsory work or other drivers, such as affordability or operational improvements.

Risk Based Improvements are elective in that staff can plan and schedule them to balance within the boundaries of the capital plans and the long-term financial plans as well as staffing and resources available. This work is driven by the goal to maintain system condition and Age of Asset metrics in order to maintain reliability. Reducing the level of work in this area will ultimately result in the increase of compulsory work and reduction in reliability.

Ongoing capital improvements included:

Electric System – Capital Projects

2020	2019	2018
Transmission & Distribution Generation Information Technology Substations & Telecom	Transmission & Distribution Generation Information Technology Substations & Telecom	Transmission & Distribution Generation Information Technology Substations & Telecom Buildings & Land Transportation Equipment
AMI Downtown Network Consolidation of Operations Customer Experience Improvement Project Distribution Resiliency Upgrades	AMI Downtown Network Holden Creek Substation Consolidation of Operations Distribution Resiliency Upgrades	AMI Downtown Network Holden Creek Substation Leaburg Roll Gate Rebuild
Carmen Smith License Implementation	Carmen Smith License Implementation	Carmen Smith License Implementation

In 2020, the Leaburg hydroelectric project was moved from plant in service to property held for future use. FERC ordered the project to dewater the canal which forced the generation plant offline. The FERC ruling was due to increased seepage along the canal indicative of unstable soils and was deemed a public safety risk. Initial canal soil studies concluded in 2020 and the Board is discussing possible remediation of the canal for storm water conveyance or restoration to power generation.

In 2019, FERC approved the license for the Carmen-Smith hydroelectric project and associated preliminary investigation costs of $23.5 million were moved to plant in service.

Electric System – Capital Assets

(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Plant in service	$ 803,732	$ 816,318	$ 786,987	$ (12,586)	$ 16,745
Accumulated depreciation	(451,027)	(446,919)	(436,984)	(4,108)	(14,043)
Property for future use	37,050	1,345	783	35,705	36,267
Construction work in progress	39,402	37,056	16,972	2,346	22,430
Net utility plant	$ 429,157	$ 407,800	$ 367,758	$ 21,357	$ 61,399

More detailed information about plant activity can be found in the note disclosures to the financial statements, Note 3 – Utility Plant.

Debt Activity

The Electric System issues revenue bonds or notes payable to fund certain capital projects. During 2020, the Electric System made scheduled debt service payments and issued $39.2 million in revenue bonds for capital improvements. In addition, $16.8 million in revenue refunding bonds were issued with proceeds used to pay issuance costs and refund bonds previously issued in 2012. During 2019, the Electric System made scheduled debt service payments which decreased outstanding debt compared to 2018. For more detailed information, see Note 12 – Long-Term Debt.

Electric System bonds are rated Aa2 by Moody's Investors Service, AA- by Standard and Poor's Rating Services, and AA- by Fitch Ratings.

Electric System – Debt Activity

(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Total outstanding debt	$ 235,116	$ 198,672	$ 209,279	$ 36,444	$ 25,837

Liabilities and Deferred Inflows of Resources

Current liabilities are primarily accounts payable, accrued payroll, and the current portion of long-term debt. Current liabilities decreased slightly in 2020, as a result of decreases in the current portion of long-term debt due within one year. Accounts payable also declined as a result of normal fluctuations. Total liabilities increased in 2020 as a result of the bond issuance. Current liabilities decreased in 2019 due to fluctuations in accounts payable and accrued payroll. Total liabilities were influenced by decreases in the net pension liability and net OPEB liability, as well as regular debt service payments mentioned above.

Increases in deferred inflows of resources for both 2020 and 2019 were primarily due to changes in the employer proportion related to EWEB's PERS net pension liability.

Electric System – Liabilities and Deferred Inflows

(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Current liabilities	$ 36,491	$ 38,378	$ 41,051	$ (1,887)	$ (4,560)
Non-current liabilities	298,498	263,083	295,130	35,415	3,368
Deferred inflows of resources	24,018	21,277	11,811	2,741	12,207
Total liabilities and deferred inflows of resources	$ 359,007	$ 322,738	$ 347,992	$ 36,269	$ 11,015

Net Position

The net investment in capital assets component of net position, which reflects the value of capital assets net of the debt incurred to acquire those assets, has increased each year since 2018. Capital assets have been added each year, while corresponding debt levels associated to capital improvements have declined.

Restricted net position is subject to external legal restrictions on its use and is primarily representative of reserves for payments of debt service, customer donations, and amounts deposited in escrow accounts relating to the Harvest Wind Project. Restricted net position decreased in 2020 as a result of lower debt service reserve requirements as part of the refunding of a portion of the 2012 bond series. The 2020 bond series did not have a debt service reserve requirement. Restricted net position increased in 2019 due to investment income on the debt service reserve and donations to the customer care program.

Unrestricted net position represents the accumulation of net assets that are not capital assets, or subject to external restrictions on their use. In 2020, unrestricted net position remained flat from the prior year with increases from operations and decreases with amounts held as preliminary investigations moving to net investment in capital assets. In 2019 unrestricted net position decreased due to payments made from existing cash reserves for unfunded liabilities related to retirement benefits.

Overall net position has increased by 0.4% since the start of 2019. The financial position of the Electric System has remained steady. Operating activity remained positive despite a severe snow event in 2019 and unprecedented wildfires and a pandemic in 2020. In addition, reserve use was focused on strategic issues, such as lowering future employer contributions for pensions.

Electric System – Net Position

(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Net investment in capital assets	$ 251,254	$ 241,620	$ 206,740	$ 9,634	$ 44,514
Restricted	6,434	6,552	6,122	(118)	312
Unrestricted	129,851	130,267	173,264	(416)	(43,413)
Total net position	$ 387,539	$ 378,439	$ 386,126	$ 9,100	$ 1,413

Reserves and Investment Activity

The Board of Commissioners has established Electric System designated reserve accounts for specific purposes including funding routine capital activity, significant one-time expenses, and to protect customers from the effects of large fluctuations in power prices, generation volume and counterparty risk. The Board has authority to re-evaluate and redirect designated and unrestricted reserves based on current priorities.

In 2020, the Board maintained reserves above target and increased reserves held in working cash. In 2019, the Board used $16.7 million of reserves to participate in an Employer Incentive Fund program with PERS. State contributed funds matched 25% of EWEB contributions and reduced EWEB's employer contribution rate starting on November 1, 2019. Each year the Board reviews reserves in excess of target for the highest and best use of cash.

(in thousands)	Electric System – Reserve Balances	
	Target	2020
Working cash	$ 36,000	$ 41,535
Designated funds		
Operating reserve	4,000	4,083
Self-insurance reserve	1,720	1,774
Power reserve	17,000	17,000
Capital improvement reserve	22,000	23,900
Rate stabilization fund	5,000	24,469
Pension and post retirement medical fund	-	974
Designated funds total	$ 49,720	$ 72,200

The Electric System also maintained restricted reserves for purposes including the payment of principal and interest on debt, and proceeds from bond issuance restricted for use on capital projects.

Working cash and short-term investments are not held in reserve and were available for the day-to-day operations of the utility. They were classified as unrestricted.

All Electric System working cash and reserves were held in depository accounts, the Local Government Investment Pool, or in high quality securities. Investment strategy focused on the following in priority order: preserving principal, liquidity of funds, and investment returns.

Water System

The source of supply for the Water System is the McKenzie River, with headwaters in the Cascade Range east of Eugene. Intake and purification of water occurs at the Hayden Bridge Water Filtration Plant. In addition to the filtration plant, the Water System owns and operates 22 reservoirs, 27 pump stations, and approximately 800 miles of transmission and distribution mains. The Water System provides water service to 55,000 residential, commercial, and industrial customers within the EWEB service territory, and also supplies wholesale water to the River Road and Santa Clara water districts outside Eugene. In addition, EWEB has surplus water contracts with the City of Veneta and the Willamette Water Company.

Net Operating Revenue

2020 water net operating revenue decreased compared to 2019 and 2018, primarily due to increased operating expenses.

Water System – Net Operating Revenue					
(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Operating revenue	$ 38,881	$ 38,092	$ 39,393	$ 789	$ (512)
Operating expense	(29,351)	(26,044)	(24,792)	(3,307)	(4,559)
Net operating revenue	$ 9,530	$ 12,048	$ 14,601	$ (2,518)	$ (5,071)

Operating Revenue

Consumption of water varies depending on the season and the weather patterns of a particular year with peak consumption in the summer months. During 2020, COVID-19 social distancing measures required many commercial facilities to reduce their typical operations. In addition, many employers transitioned to a remote working environment with staff working from home where possible. For 2020, overall consumption remained stable with prior years, with a shift seen from commercial to residential consumption. Lower consumption in 2019 as compared to 2018, was due to an earlier start to fall precipitation which shortened the irrigation season. In 2013, the Board approved a price increase designed to accumulate funds for a Willamette Treatment Plant and a 2018 price decrease suspended the collection of those reserve funds while the Board refines the capacity and timing of the project.

Residential accounts make up 90% of the customer base of the Water System, and approximately 60% of retail consumption. Similar to the Electric system, residential consumption is more responsive to weather conditions than commercial and industrial. Water sales revenue for retail customers was higher in 2020 and correlated to effects from the COVID-19 pandemic. State and county regulations designed to mitigate the spread of the coronavirus increased the amount of time people spent at home.

Recent residential price adjustments have been as follows:

2020	No change
2019	No change
2018 (effective February 2018)	4.5% decrease

Commercial and industrial accounts make up 10% of the Water System's customer base, and approximately 40% of retail sales. 2020 declines in commercial and industrial sales were seen as a symptom of COVID-19 economic difficulty and social distancing measures. 2019 commercial and industrial sales were 3.6% lower than 2018 due to corresponding drops in consumption.

Water System – Sales to Customers

(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Residential	$ 20,508	$ 19,492	$ 20,419	$ 1,016	$ 89
Commercial and industrial	14,053	14,768	15,315	(715)	(1,262)
	$ 34,561	$ 34,260	$ 35,734	$ 301	$ (1,173)

Water System – Sales to Customers Kgal

	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Residential	4,055	3,810	4,040	245	15
Commercial and industrial	3,213	3,487	3,604	(274)	(391)
	7,268	7,297	7,644	(29)	(376)

Wholesale sales include sales to River Road and Santa Clara Water Districts, the City of Veneta, and the Willamette Water Company.

	2020	2019	2018
Retail sales	$ 34,560,768	$ 34,259,654	$ 35,733,979
Retail volume	7,268,259	7,297,482	7,643,762
Average price per Kgal	$ 4.76	$ 4.69	$ 4.67
Wholesale sales	$ 2,231,765	$ 2,121,747	$ 2,267,375
Wholesale volume	699,650	687,435	735,292
Average price per Kgal	$ 3.19	$ 3.09	$ 3.08

Operating Expenses

The Water System pumps and purifies all water sold and does not have wholesale purchase expense. The largest production expenses are purification and transmission and distribution of water. Other significant expenses are administrative and general, and depreciation. During 2020, water operating expenses increased 13% compared to 2019 and increased 18% compared to 2018. Increases in source of supply were driven by response efforts to the Holiday Farm Fire which destroyed areas of the McKenzie River watershed. Increased contractor costs for watershed restoration work went toward erosion control and hazardous material stabilization. Transmission and distribution costs were higher in 2020 due to contract work for patching and paving and increased labor costs in operating expense with less internal labor allocated to capital projects.

The Water System's allocation of shared costs with the Electric System was updated in 2019 to 20% from 18%. The 2% increase contributed to increases in customer accounting, conservation expense and administrative and general. In 2019, transmission and distribution costs were 4% lower compared to 2018 due to reduced maintenance costs.

(in thousands)	Water System – Operating Expenses 2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Transmission and distribution	$ 7,269	$ 5,840	$ 6,082	$ 1,429	$ 1,187
Sources of supply, pumping, and purification	7,671	6,796	6,876	875	795
Customer accounting	1,975	1,780	1,364	195	611
Conservation expenses	520	492	344	28	176
Administrative and general	5,111	4,491	3,906	620	1,205
Depreciation on utility plant	6,805	6,645	6,220	160	585
Operating expenses	$ 29,351	$ 26,044	$ 24,792	$ 3,307	$ 4,559

Other Non-operating Revenue, Expense, Capital Contributions, and System Development Charges

Non-operating revenue of the Water System consists primarily of miscellaneous revenue not associated with core business activities, as well as interest and investment revenue. In 2020, investment earnings declined in conjunction with the sustained low interest rate environment. 2019 investment earnings increased $277,000 compared to 2018 as interest rates had risen within the investment portfolio for that window of time.

Non-operating expense is primarily interest expense for long-term debt and intercompany debt. A bond issuance in 2020 secured funds for future construction projects, refunded prior debt, and reduced aggregate debt service by $3.7 million. Increased interest expense is a function of the new construction funds and drove the increase in non-operating expense. 2019 non-operating expenses were lower than in 2018 as a result of scheduled debt service payments and corresponding reduced interest amounts.

Capital contributions are related to customer work to extend or relocate water mains and services. During 2019, activity increased and included contributed plant assets associated with roadwork projects and subdivisions.

(in thousands)	Water System – Non-operating Revenue and Expense 2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Non-operating revenue	$ 762	$ 1,486	$ 1,744	$ (724)	$ (982)
Non-operating expense	(2,307)	(2,250)	(2,274)	(33)	(9)
Capital contributions	2,354	4,675	3,071	(2,321)	(717)
Total	$ 809	$ 3,911	$ 2,541	$ (3,078)	$ (1,708)

Special Items

In 2019, the Water System made a $5.3 million deposit to an OPERS side-account. It reduced EWEB's employer contribution rate as of November 1, 2019, and will provide ongoing savings. In addition, this deposit received a $1.3 million match from the state's Employer Incentive Fund. There were no special items in 2020.

Total Assets and Deferred Outflows of Resources

Total assets for the Water System include utility plant, net of depreciation, current assets representing cash and short-term investments, accounts receivable, materials inventory, and pre-paid expenses, as well as non-current assets such as long-term investments.

In 2020, current assets increased compared to 2019. Stable, strong operations increased unrestricted cash and investments and the bond issuance increased construction reserves.
In 2019, current assets increased compared to 2018. The increase from 2018 to 2019 is due in part to continued strong operations and a reduction in purchase activity for investments. Capital project activity also reduced cash reserves from bond proceeds.

Increased investment activity in 2020 shifted investment balances to the non-current classification. Portions of the proceeds from the new bond issuance and unrestricted investments are held among securities with a maturity beyond one year.

In 2019, the investments classified as non-current decreased compared to 2018 due in part to the use of funds for OPERS. Fluctuations based on actuarial assumptions in other regulatory assets related to pensions and OPEB also contribute to the change in amounts classified as non-current assets each year.

Deferred outflows of resources represent transactions occurring in future periods and are not classified as assets. 2020 deferred outflows of resources decreased due to a reduction of pension contributions after the measurement date for actuarial reporting. They had increased in 2019 with $6.6 million paid under the PERS Employer Incentive Fund program where PERS offered a 25% match to employer contributions.

Water System – Assets and Deferred Outflows

(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Net utility plant	$ 196,316	$ 185,692	$ 175,611	$ 10,624	$ 20,705
Current assets	42,610	37,989	36,520	4,621	6,090
Non-current assets	34,094	18,617	21,919	15,477	12,175
Deferred outflows of resources	13,201	15,201	9,648	(2,000)	3,553
Total assets and deferred outflows of resources	$ 286,221	$ 257,499	$ 243,698	$ 28,722	$ 42,523

Capital Asset Activity

Capital projects for the Water System are categorized as Compulsory, Strategic, or Risk Based Improvements.

Compulsory work is mandatory to ensure EWEB meets minimum service, regulatory, and safety requirements. Compulsory work develops from both internal and external drivers. There is minimal opportunity to change the compulsory portion of capital plans due to legal and policy requirements.

Strategic projects and programs are derived from strategic direction and are typically multiyear and multimillion-dollar efforts. Strategic improvements are moderately flexible in nature and can be balanced with efforts to prioritize compulsory work or other drivers, such as affordability or operational improvements.

Risk Based Improvements are elective in that staff can plan and schedule them to balance within the boundaries of the capital plans and the long-term financial plans as well as staffing and resources available. This work is driven by the goal to maintain system condition and Age of Asset metrics in order to maintain reliability. Reducing the level of work in this area will ultimately result in the increase of compulsory work and reduction in reliability.

	Water System – Capital Assets				
(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Plant in service	$ 320,684	$ 300,822	$ 289,808	$ 19,862	$ 30,876
Accumulated depreciation	(135,864)	(129,025)	(123,146)	(6,839)	(12,718)
Property for future use	1,999	2,397	2,397	(398)	(398)
Construction work in progress	9,497	11,498	6,552	(2,001)	2,945
Net utility plant	$ 196,316	$ 185,692	$ 175,611	$ 10,624	$ 20,705

Ongoing capital improvements included:

Water System – Capital Projects		
2020	2019	2018
Water Intake and Filtration Plant	Water Intake and Filtration Plant	Water Intake and Filtration Plant
Water Mains	Water Mains	Water Mains
Services and meters	Services and meters	Services and meters
Transportation Equipment	Transportation Equipment	Reservoirs
Pump stations	Pump stations	Transportation Equipment
Reservoirs	Reservoirs	Pump stations
AMI	AMI	AMI
Water Laboratory	Disinfection System	Distribution system
Customer Experience Improvement Project	Water Laboratory	
Emergency Water Supply	Emergency Water Supply	Source of Supply

More detailed information about plant activity is available in Note 3 – Utility Plant, in the note disclosures to the financial statements.

Debt Activity

The Water System issues revenue bonds or notes payable to fund certain capital projects. During 2020, the Water System made scheduled debt service payments and issued $18.5 million in revenue bonds for capital improvements. In addition, $14.9 million in revenue refunding bonds were issued with proceeds used to pay issuance costs and refund bonds previously issued in 2011. During 2019, the Water System made scheduled debt service payments which decreased outstanding debt compared to 2018. For more detailed information, see Note 12 – Long-Term Debt and Note 13 – Intersystem items.

Water System bonds are rated Aa2 by Moody's Investors Service, AA by Standard and Poor's Rating Services, and AA+ by Fitch Ratings.

	Water System – Debt Activity				
(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Total outstanding debt	$ 71,562	$ 53,644	$ 56,298	$ 17,918	$ 15,264

Liabilities and Deferred Inflows of Resources

Current liabilities are primarily accounts payable, accrued payroll, and the current portion of long-term debt. Current liabilities increased in 2020 as a result of normal fluctuations in accounts payable and accrued payroll. The current portion of long-term debt due within one year also increased as a result of the new bond issuance and the principal repayment structure used. In 2019, current liability balances decreased compared to 2018 primarily due to changes in accounts payable. The payables balance at 2018 included larger amounts for construction activity and equipment purchases compared to 2019.

	Water System – Liabilities and Deferred Inflows				
(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Current liabilities	$ 6,584	$ 5,810	$ 6,630	$ 774	$ (46)
Non-current liabilities	97,095	80,614	81,911	16,481	15,184
Deferred inflows of resources	7,330	6,396	2,480	934	4,850
Total liabilities and deferred inflows of resources	$ 111,009	$ 92,820	$ 91,021	$ 18,189	$ 19,988

Net Position

The net investment in capital assets component of net position, which reflects the value of capital assets net of the debt incurred to acquire those assets has increased each year since 2018. Capital asset additions such as main replacements and improvements, AMI, and Hayden Bridge improvements have increased plant values and associated debt has decreased.

Restricted net position is subject to external legal restrictions on its use and is primarily representative of reserves for payment of debt service and deposits of System Development Charges (SDC) for work not yet completed. In 2020, SDC reimbursement reserves were used toward payment of debt service. Increases from 2019 to 2018 are due to SDC revenue activity outpacing the use of SDC improvement reserves for eligible capital projects.

Unrestricted net position represents the accumulation of assets that are not capital assets, or subject to external restrictions on their use. The Water System's unrestricted net position has increased by 30% and 46% compared to 2019 and 2018, respectively reflecting strong operating activity for the year. Strong operating activity in 2019 contributed to the increase in that year.

Overall net position has increased by approximately 6% compared to 2019, and 15% compared to 2018. The financial position of the Water System has improved with strong operating activity in 2019 and 2020. Strong operations fueled reserve growth, even with large strategic uses of funds to lower contribution rates for pensions. Steady capital programs continue to make improvements to the utility infrastructure, as well.

Water System – Net Position

(in thousands)	2020	2019	2018	Increase (Decrease) 2020/2019	Increase (Decrease) 2020/2018
Net investment in capital assets	$ 131,358	$ 126,446	$ 119,474	$ 4,912	$ 11,884
Restricted	6,484	9,396	7,539	(2,912)	(1,055)
Unrestricted	37,370	28,837	25,663	8,533	11,707
Total net position	$ 175,212	$ 164,679	$ 152,676	$ 10,533	$ 22,536

Reserves and Investment Activity

The Board of Commissioners has established Water System designated reserves for specific purposes including the funding of routine capital activity and significant one-time expenses. In addition, designated reserves accumulate funding for pension and post-retirement benefits. Designated funds are considered unrestricted because the Board has authority to re-evaluate and redirect reserves based on current priorities.

In 2020, the Board maintained reserves above target and increased reserves held in working cash. There were not any uses of reserves beyond normal operations whereas in 2019, the Board used $5.3 million of reserves to participate in an Employer Incentive Fund program with PERS. State contributed funds matched 25% of EWEB contributions and reduced EWEB's employer contribution rate starting on November 1, 2019. During 2018, the Board used $7.8 million of reserves to pay down its pension liability with Oregon PERS, and $480,000 to fund the OPEB Trust. Each year the Board reviews reserves in excess of target for the highest and best use of cash.

(in thousands)	Water System – Reserve Balances			
	Target		2020	
Working cash	$	3,400	$	19,545
Designated funds				
Operating reserve		1,000		1,012
Self-insurance reserve		280		288
Capital improvement reserve		7,000		12,149
Rate stabilization fund		1,000		1,000
Water stewardship fund – septic repairs		-		74
Second source fund		-		5,450
Pension and post retirement medical fund		-		393
Designated funds total	$	9,280	$	20,366

The Water System maintained restricted reserves for purposes including the payment of principal and interest on debt. Restricted reserves also included proceeds from bond issuance restricted for use on capital projects and funds collected through System Development Charges.

Working cash and short-term investments were unrestricted and available for the day-to-day operations of the utility.

All Water System working cash and reserves were held in bank accounts, the Local Government Investment Pool, or in high quality securities. Investment strategy focused on the following in priority order: preserving principal, liquidity of funds and investment returns.

Retirement Benefits Trust

The Eugene Water & Electric Board Retirement Benefits Trust (the Trust) was created in 2007 to fund post-employment benefits other than pension (OPEB). The plan provides $5,000 life insurance coverage for all retirees and subsidies toward health insurance coverage under either the EWEB group plan or the Oregon PERS Health Insurance Program (Oregon PHIP) Medicare supplement plan for retirees meeting eligibility criteria. Plan changes in 2016 and 2017 removed the healthcare subsidies available to employees upon retirement if they were hired after 2002.

Financial statements for the OPEB plan, including accompanying notes, are a set of two statements. The *statement of fiduciary net position* reports the assets, liabilities, and net position held in trust on the day of December 31 for the years presented. The *statement of changes in net position*, reflects the sources and uses of plan assets over the one-year periods presented. More information about the plan is provided in Note 17 and the Required Supplementary Information.

Significant totals from the financial statements are below.

Condensed Financial Information
(in thousands of dollars)

	2020	2019	2018
Total assets	$20,059	$ 19,273	$ 17,185
Total liabilities	28	23	14
Total net position	$ 20,031	$ 19,250	$ 17,171
Contributions	$ 1,202	$ 1,854	$ 4,124
Net investment income	2,527	3,228	(952)
Total additions	3,729	5,082	3,172
Total deductions	2,948	3,003	3,451
Net increase (decrease) in net position	$ 781	$ 2,079	$ (279)

Analysis

Assets represent the Trust's investment portfolio, which increases with contributions from the Board and investment income. Assets decrease for benefit payments and reductions in the market value of investments held. Liabilities were for administrative and benefit payments pending at the end of each year.

Total assets as of December 31, increased each year from 2018 to 2020. Investment income during 2020 and 2019 was high. The money-weighted average return was 14.0% for 2020 and 19.8% for 2019. In addition, the Board made a one-time contribution at the end of 2018. The Board paid the actuarially determined contribution (ADC) to the Trust in 2018 and an additional $2 million in December of 2018 to improve the funded status of its OPEB liability. Due to a significant decline in the fair value of the Trust's portfolio in December 2018, the one-time contribution didn't increase the Trust's assets until the fair values recovered in 2019. Continued appreciation of fair values during 2019, led to the highest investment returns experienced by the Trust since its inception. This pattern of decline and recovery followed by strong increases in fair values of investments was repeated in 2020. Investment values decreased sharply, by $1.8 million, in March 2020 with investors' reactions to the pandemic. By the end of May 2020, the decline experienced in March was nearly fully recovered. See Note 17 for further information on the portfolio's composition and investment returns.

Contributions consist of payments from the Board and from retirees. The Board makes contributions to the Trust monthly according the most recent ADC available. Annual ADC amounts have been less than total benefit expenses in a year. This is an expected outcome because the benefits are funded by the Trust and because benefit expenses are decreasing over time due to the benefit plan's design. Contributions from retirees vary with the number of retiree participants and the requirements of their respective benefit plans. Retirees contributed $740,000 in 2020, $717,000 in 2019, and $775,000 in 2018.

Total deductions are primarily benefit expenses. Administrative costs are also included. Benefit expenses declined by $87,000 in 2020. Benefit expenses first declined significantly in 2019 by approximately $400,000. Prior to then, benefit expenses were level for seven years. The number of retirees participating in the plan is near the maximum number of persons who may qualify to receive a subsidy toward health care insurance in the future. As those participating in the medical benefits have aged, they have transferred from the EWEB group medical insurance to Medicare supplement plans which are less expensive than EWEB group coverage. Medicare retirees were 74% of the plan's retirees participating in medical coverage in 2020, 69% in 2018. The significant drop in benefit expenses during 2019, corresponded to a decrease in retiree participation. Census data as of August 31, 2019, showed a population decrease of 40 retirees compared to August 31, 2018. Additionally, 27 retirees had opted out of the medical coverage they had carried as of the 2018 census.

Overall, the plan's financial position has improved and payments for medical subsidies are expected to continue to decrease over time.

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Eugene Water & Electric Board
Statements of Net Position
December 31, 2020 and 2019

	Electric System 2020	Electric System 2019	Water System 2020	Water System 2019	Total System 2020	Total System 2019
ASSETS						
Capital assets						
Utility plant in service	$ 803,732,684	$ 816,317,582	$ 320,683,728	$ 300,821,753	$ 1,124,416,412	$ 1,117,139,335
Less accumulated depreciation	451,027,186	446,919,036	135,864,192	129,025,071	586,891,378	575,944,107
Net utility plant in service	352,705,498	369,398,546	184,819,536	171,796,682	537,525,034	541,195,228
Property held for future use	37,049,750	1,344,855	1,999,288	2,396,812	39,049,038	3,741,667
Construction work in progress	39,401,817	37,056,305	9,496,706	11,498,352	48,898,523	48,554,657
Net utility plant	429,157,065	407,799,706	196,315,530	185,691,846	625,472,595	593,491,552
Current assets						
Cash and cash equivalents	21,241,755	35,565,584	11,473,557	9,972,388	32,715,312	45,537,972
Short-term investments	9,148,677	1,240,592	3,613,615	949,633	12,762,292	2,190,225
Restricted cash and investments	38,676,438	22,038,663	10,863,810	7,329,452	49,540,248	29,368,115
Designated cash and investments	42,087,850	53,265,411	11,872,031	14,638,363	53,959,881	67,903,774
Receivables, less allowances	29,135,704	34,006,020	3,577,626	3,645,886	32,713,330	37,651,906
Due from Water System	375,128	367,124	-	-	-	-
Materials and supplies	4,676,862	5,052,847	1,079,149	1,295,886	5,756,011	6,348,733
Prepaids	915,451	1,018,922	130,609	157,364	1,046,060	1,176,286
Option premiums short-term	1,198,458	1,101,632	-	-	1,198,458	1,101,632
Total current assets	147,456,323	153,656,795	42,610,397	37,988,972	189,691,592	191,278,643
Non-current assets						
Investments – designated	30,112,526	18,245,411	8,494,062	5,014,191	38,606,588	23,259,602
Investments – unrestricted	11,144,265	857,893	4,457,346	656,688	15,601,611	1,514,581
Investments – restricted	27,328,703	7,851,931	8,067,197	3,004,866	35,395,900	10,856,797
Receivables, conservation, and other	3,103,002	3,514,596	133,830	120,067	3,236,832	3,634,663
Due from Water System	6,419,950	6,781,253	-	-	-	-
Investment in WGA	3,026,788	3,752,194	-	-	3,026,788	3,752,194
Investment in Harvest Wind	18,943,625	19,995,274	-	-	18,943,625	19,995,274
Preliminary investigations	128,497	8,109,450	1,302,816	1,302,816	1,431,313	9,412,266
Other assets	25,787,737	18,260,621	11,638,794	8,518,546	37,426,531	26,779,167
Total non-current assets	125,995,093	87,368,623	34,094,045	18,617,174	153,669,188	99,204,544
DEFERRED OUTFLOWS OF RESOURCES	43,937,752	52,351,407	13,201,421	15,200,954	57,139,173	67,552,361
Total assets and deferred outflows of resources	$ 746,546,233	$ 701,176,531	$ 286,221,393	$ 257,498,946	$ 1,025,972,548	$ 951,527,100

Note: Inter-system obligations and payments are eliminated in the total systems columns.

See accompanying notes.

Eugene Water & Electric Board
Statements of Net Position
December 31, 2020 and 2019

	Electric System		Water System		Total System	
	2020	2019	2020	2019	2020	2019
LIABILITIES						
Current liabilities						
Payables	$ 21,897,140	$ 22,735,996	$ 1,343,138	$ 1,002,012	$ 23,240,278	$ 23,738,008
Accrued payroll and benefits	4,267,939	3,902,781	1,322,644	1,224,996	5,590,583	5,127,777
Due to Electric System	-	-	375,128	367,124		-
Payable from restricted assets						
Accrued interest on long-term debt	3,581,186	3,199,135	988,388	891,006	4,569,574	4,090,141
Long-term debt due within one year	6,745,000	8,540,000	2,555,000	2,325,000	9,300,000	10,865,000
Total current liabilities	36,491,265	38,377,912	6,584,298	5,810,138	42,700,435	43,820,926
Non-current liabilities						
Long-term debt	228,371,384	190,132,051	69,007,546	51,318,716	297,378,930	241,450,767
Due to Electric System	-	-	6,419,950	6,781,253	-	-
Net pension liability	57,307,318	58,544,416	18,097,048	18,487,710	75,404,366	77,032,126
Net OPEB liability	10,307,702	11,898,235	3,255,064	3,757,338	13,562,766	15,655,573
Other liabilities	2,511,424	2,508,453	315,199	268,431	2,826,623	2,776,884
Total liabilities	334,989,092	301,461,067	103,679,105	86,423,586	431,873,119	380,736,276
DEFERRED INFLOWS OF RESOURCES	24,017,684	21,276,767	7,329,896	6,396,488	31,347,580	27,673,255
NET POSITION						
Net investment in capital assets	251,253,583	241,619,954	131,358,176	126,446,037	382,611,759	368,065,991
Restricted	6,434,467	6,552,063	6,483,739	9,395,512	12,918,206	15,947,575
Unrestricted	129,851,406	130,266,680	37,370,477	28,837,323	167,221,883	159,104,003
Total net position	387,539,456	378,438,697	175,212,392	164,678,872	562,751,848	543,117,569
Total liabilities, deferred inflows of resources, and net position	$ 746,546,233	$ 701,176,531	$ 286,221,393	$ 257,498,946	$ 1,025,972,548	$ 951,527,100

Note: Inter-system obligations and payments are eliminated in the total systems columns.

Eugene Water & Electric Board
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2020 and 2019

	Electric System		Water System		Total System	
	2020	2019	2020	2019	2020	2019
Residential	$ 99,374,113	$ 100,560,494	$ 20,508,148	$ 19,491,803	$ 119,882,261	$ 120,052,297
Commercial and industrial	92,940,923	100,605,227	14,052,620	14,767,851	106,993,543	115,373,078
Sales for resale and other	51,584,582	62,172,896	4,319,880	3,832,676	55,904,463	66,005,572
Operating revenues	243,899,618	263,338,617	38,880,648	38,092,330	282,780,267	301,430,947
Purchased power	134,594,268	153,922,009	-	-	134,594,268	153,922,009
System control	4,637,338	4,268,927	-	-	4,637,338	4,268,927
Wheeling	11,247,747	13,106,600	-	-	11,247,747	13,106,600
Steam and hydraulic generation	12,141,792	12,277,003	-	-	12,141,792	12,277,003
Transmission and distribution	24,509,483	24,526,361	7,268,794	5,840,408	31,778,280	30,366,769
Source of supply, pumping, and purification	-	-	7,671,364	6,795,617	7,671,365	6,795,617
Customer accounting	8,242,160	7,667,709	1,975,022	1,780,201	10,217,179	9,447,910
Conservation expenses	4,013,788	3,632,917	520,141	492,380	4,533,929	4,125,297
Administrative and general	20,750,800	20,466,788	5,110,689	4,490,847	25,861,490	24,957,635
Depreciation on utility plant	21,594,275	22,785,219	6,805,228	6,644,469	28,399,503	29,429,688
Operating expenses	241,731,651	262,653,533	29,351,238	26,043,922	271,082,889	288,697,455
Net operating income	2,167,967	685,084	9,529,410	12,048,408	11,697,378	12,733,492
Investment earnings	1,546,093	3,807,359	499,832	1,105,381	2,045,925	4,912,740
Interest earnings, Water	169,874	178,404	-	-	-	-
Other revenue	10,243,786	6,287,209	262,097	380,552	10,505,883	6,667,761
Non-operating revenues	11,959,753	10,272,972	761,929	1,485,933	12,551,808	11,580,501

Note: Inter-system obligations and payments are eliminated in the total systems columns.

	Electric System		Water System		Total System	
	2020	2019	2020	2019	2020	2019
Other revenue deductions	$ 476,259	$ 1,729,912	$ 60,490	$ 92,276	$ 536,749	$ 1,822,188
Interest expense and related amortization	7,161,122	6,992,977	2,077,082	1,979,532	9,238,204	8,972,509
Interest expense, Electric	-	-	169,874	178,404	-	-
Non-operating expenses	7,637,381	8,722,889	2,307,446	2,250,212	9,774,953	10,794,697
Income before capital contributions and special items	6,490,339	2,235,167	7,983,894	11,284,129	14,474,233	13,519,296
Contributions in aid of construction	2,389,691	1,704,748	713,122	1,443,114	3,102,813	3,147,862
Contributed plant assets	416,521	901,624	524,179	1,566,473	940,700	2,468,097
System development charges	-	-	1,116,533	1,664,943	1,116,533	1,664,943
Capital contributions	2,806,212	2,606,372	2,353,834	4,674,530	5,160,046	7,280,902
Intersystem transfer	(195,792)	-	195,792	-	-	-
Special items – Pension revenue	-	4,176,208	-	1,318,802	-	5,495,010
Special items – Pension expense	-	(16,704,832)	-	(5,275,210)	-	(21,980,042)
Change in net position	9,100,759	(7,687,085)	10,533,520	12,002,251	19,634,279	4,315,166
Total net position at beginning of year	378,438,697	386,125,782	164,678,872	152,676,621	543,117,569	538,802,403
Total net position at end of year	$ 387,539,456	$ 378,438,697	$ 175,212,392	$ 164,678,872	$ 562,751,848	$ 543,117,569

See accompanying notes.

Eugene Water & Electric Board
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	Electric System		Water System		Total System	
	2020	2019	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$ 262,065,995	$ 275,929,543	$ 38,994,488	$ 38,276,953	$ 301,060,483	$ 314,206,496
Other receipts	7,109,214	4,649,151	639,558	792,780	7,748,772	5,441,931
Power purchases	(134,654,889)	(155,522,419)	-	-	(134,654,889)	(155,522,419)
Payments to employees, employer paid benefits	(48,306,478)	(63,334,017)	(14,963,817)	(19,123,421)	(63,270,295)	(82,457,438)
Payments to suppliers	(35,489,293)	(36,668,716)	(7,013,593)	(6,575,058)	(42,502,886)	(43,243,774)
Contributions in lieu of taxes	(12,855,478)	(13,498,505)	-	-	(12,855,478)	(13,498,505)
Net cash from operating activities	37,869,071	11,555,037	17,656,636	13,371,254	55,525,707	24,926,291
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of investment securities	(157,570,099)	(51,240,705)	(43,185,717)	(13,227,821)	(200,755,816)	(64,468,526)
Proceeds from sale and maturities of investments	98,155,000	106,639,120	25,089,971	25,260,880	123,244,971	131,900,000
Interest on investments	1,237,264	1,897,990	317,954	423,040	1,555,218	2,321,030
Distributions from equity investments	4,935,271	2,617,424	-	-	4,935,271	2,617,424
Net cash from investing activities	(53,242,564)	59,913,829	(17,777,792)	12,456,099	(71,020,356)	72,369,928
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Intersystem obligations paid to Electric from Water	352,580	344,067	(352,580)	(344,067)	-	-
Interest receipts/(payments) to Electric from Water	170,593	179,106	(170,593)	(179,106)	-	-
Net cash from non-capital financing activities	523,173	523,173	(523,173)	(523,173)	-	-

Note: Intersystem obligations and payments are eliminated in the total systems columns.

See accompanying notes.

	Electric System 2020	Electric System 2019	Water System 2020	Water System 2019	Total System 2020	Total System 2019
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments	$ (8,540,000)	$ (8,445,000)	$ (1,855,000)	$ (2,230,000)	$ (10,395,000)	$ (10,675,000)
Proceeds from issuance of bonds	63,149,007	-	35,124,291	-	98,273,298	-
Payments to refund debt	(17,147,475)	-	(15,114,186)	-	(32,261,661)	-
Additions to plant and non-utility property, net	(44,131,710)	(43,688,665)	(17,674,127)	(16,784,294)	(61,805,837)	(60,472,959)
Interest payments	(7,571,523)	(7,927,892)	(1,966,194)	(2,220,788)	(9,537,717)	(10,148,680)
Additions to preliminary surveys and other	8,006,090	(776,422)	-	-	8,006,090	(776,422)
Capital contributions	2,806,212	2,606,372	2,353,833	4,674,530	5,160,045	7,280,902
Net cash from capital and related financing activities	(3,429,399)	(58,231,607)	868,617	(16,560,552)	(2,560,782)	(74,792,159)
CHANGE IN CASH AND CASH EQUIVALENTS	(18,279,719)	13,760,432	224,288	8,743,628	(18,055,431)	22,504,060
CASH AND CASH EQUIVALENTS, beginning of year	73,130,452	59,370,020	20,343,895	11,600,267	93,474,347	70,970,287
CASH AND CASH EQUIVALENTS, end of year Including cash and cash equivalents restricted and designated: $33,608,979 and $9,094,622 ($37,564,870 and $10,371,505 in 2019) for Electric and Water, respectively	$ 54,850,733	$ 73,130,452	$ 20,568,183	$ 20,343,895	$ 75,418,916	$ 93,474,347

NON-CASH CAPITAL ACTIVITY

In 2020, plant assets contributed by developers were $416,251 for the electric system and $524,179 for the water system ($901,624 for the electric system and $1,566,473 for the water system in 2019).

Note: Inter-system obligations and payments are eliminated in the total systems columns.

Eugene Water & Electric Board
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	Electric System		Water System		Total System	
	2020	2019	2020	2019	2020	2019
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES						
Net operating income	$ 2,167,967	$ 685,084	$ 9,529,411	$ 12,048,408	$ 11,697,378	$ 12,733,492
Adjustments to reconcile net operating income to net cash from operating activities						
Depreciation, including allocated	22,806,896	23,993,206	6,805,228	6,644,469	29,612,124	30,637,675
Other revenue	7,359,981	4,599,375	709,202	747,695	8,069,183	5,347,070
Other revenue deductions	(321,642)	(17,052,694)	(24,066)	(5,275,209)	(345,708)	(22,327,903)
(Increase) decrease in assets						
Receivables	4,231,076	970,613	68,260	229,707	4,299,336	1,200,320
Materials and supplies	375,984	(832,620)	216,737	(63,991)	592,721	(896,611)
Prepayments and special deposits	103,471	(56,743)	26,755	(23,201)	130,226	(79,944)
Conservation loans, net	1,050,834	(1,166,376)	-	-	1,050,834	(1,166,376)
Other assets	294,968	1,634,408	-	-	294,968	1,634,408
(Increase) decrease in deferred outflows						
Fair value of hedging derivatives	80,094	(1,063,280)	-	-	80,094	(1,063,280)
Increase (decrease) in liabilities						
Accounts payable, accrued payroll, and benefits	(68,657)	(1,641,984)	325,107	(936,624)	256,450	(2,578,608)
Other liabilities	2,971	977,426	-	-	2,971	977,426
Increase in deferred inflows			-			
of resources	(214,874)	508,622		-	(214,874)	508,622
Net cash from operating activities	$ 37,869,069	$ 11,555,037	$ 17,656,634	$ 13,371,254	$ 55,525,703	$ 24,926,291

See accompanying notes.

Eugene Water & Electric Board
Statements of Fiduciary Net Position – OPEB Trust
December 31, 2020 and 2019

	Retirement Benefits Trust 2020	Retirement Benefits Trust 2019
ASSETS		
Money market investments	$ 187,085	$ 210,113
Interest and dividends receivable	5,138	5,712
Prepaid expenses	2,201	1,214
Investments, at fair value		
Corporate bonds		
Domestic	303,294	385,019
Mutual funds and exchange traded funds		
Fixed income	7,415,912	7,081,247
International	3,871,565	4,248,903
Domestic	7,296,886	6,365,091
Real estate	977,309	975,639
Total investments	19,864,967	19,055,899
Total assets	$ 20,059,391	$ 19,272,938
LIABILITIES		
Administrative costs payable	$ 27,920	$ 22,516
Net position restricted for postemployment benefits other than pensions	$ 20,031,471	$ 19,250,423

See accompanying notes.

Eugene Water & Electric Board
Statements of Changes in Fiduciary Net Position – OPEB Trust
Years Ended December 31, 2020 and 2019

	Retirement Benefits Trust	
	2020	2019
ADDITIONS		
Contributions		
Employer	$ 462,000	$ 1,137,500
Members – EWEB group plan, only	740,292	716,560
Total contributions	1,202,292	1,854,060
Investment income		
Net increase in fair value of investments	2,088,008	2,563,041
Interest	15,308	18,854
Dividends	373,766	476,664
Capital gain distributions	101,704	221,805
	2,578,787	3,280,364
Less investment expense	51,703	51,944
Net investment income	2,527,084	3,228,420
Total additions	$ 3,729,376	$ 5,082,479
DEDUCTIONS		
Benefits	$ 2,118,257	$ 2,205,648
Benefits funded by retirees – EWEB group plan	740,292	716,560
Administrative expenses	89,779	80,987
Total deductions	2,948,328	3,003,195
Net increase in net position	781,048	2,079,285
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS		
Beginning of year	19,250,423	17,171,138
End of year	$ 20,031,471	$ 19,250,423

See accompanying notes.

Note 1 – Summary of Significant Accounting Policies

Reporting entity

The Eugene Water & Electric Board (Board or EWEB) is an administrative unit of the City of Eugene, Oregon. However, as established by the Governmental Accounting Standards Board (GASB) definition of a reporting entity, the Board is a primary government and is not a component unit of another entity. The Board is responsible for the ownership and operation of the Electric and Water Systems, and the basic financial statements include these two Systems.

The Board has a trust for funding post-employment retirement benefits other than pensions (OPEB), which is a component unit of the Board. Financial statements for the OPEB trust are presented as a fiduciary fund.

The Board provides energy and water service to residential, commercial and industrial customers located in a 236 square mile area, including the City of Eugene and adjacent suburban areas. The Board has the authority to fix rates and charges. In order to secure power resources, the Board has taken ownership of various generation facilities, and entered into various power purchase agreements.

In addition, the Board has partial ownership in various generation facilities, which are joint ventures or separate entities where the Board has taken an equity position. The operations and sale of energy generated from the Board's relationship with each of the facilities is subject to certain risks. Operations are contingent on various factors, such as regulation, licensing agreements, river flow levels and weather patterns.

The Board is subject to various forms of regulation under federal, state and local laws and is subject to various Federal Energy Regulatory Commission (FERC) regulations. Laws and regulations are subject to change and may have a direct impact on the operations of the Board.

Eliminations

Amounts receivable and payable between the Electric and Water Systems and related interest earnings and expenses are eliminated in the Total Systems columns of the financial statements (see Note 13).

Method of accounting

The Board maintains its accounting records in accordance with accounting principles generally accepted in the United States of America. The Board applies accounting and reporting standards of the GASB. The financial statements use a flow of economic resources measurement focus to determine financial position and the change in financial position. The accounting principles used are similar to those applicable to businesses in the private sector and are maintained on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Note 1 – Summary of Significant Accounting Policies (continued)

Effective January 1, 2019, the Board adopted GASB Statement No. 83, *Certain Asset Retirement Obligations* and GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Statement No. 83 requires recognition of liabilities when incurred and reasonably estimable and measurement using probability weighting of current costs. Statement No. 88 is to improve the information disclosed in the notes to the financial statements related to debt, including separate information for direct borrowings and direct placements, unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to other specific significant events. It also clarifies which liabilities should be included when disclosing information related to debt. The accounting and reporting standards established by these statements did not have any impact during the year of implementation.

Effective January 1, 2019, the Board adopted GASB Statement No. 84, *Fiduciary Activities*. The statement requires reporting of fiduciary funds like EWEB's Retirement Benefits Trust for other post-employment benefits (OPEB). Implementation added presentation of the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position as well as related disclosures for the OPEB Plan to the Board's financial statements.

Prior to January 1, 2019, the Board followed FASB EITF 03-11 to account for power related transactions that did not result in physical delivery of power. FASB's EITF is not applicable to the Board under GASB. Under the EITF, realized gains and losses on these transactions were reported net within wholesale sales and purchased power. Starting in 2019, the Board reported these transactions at gross amounts. The change is expected to reduce the complexity of budgeting and reporting for these transactions. The change has no effect on net operating income in 2019, and prior year amounts were not reclassified.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* The objective of this Statement is to provide temporary relief from certain new accounting and financial reporting requirements in light of the COVID-19 pandemic. The Statement is effective immediately and the Board has adopted the provisions for the year ended December 31, 2020.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement is (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end a construction period. This Statement is effective for the Board in fiscal year 2020. The Board previously used provisions of regulatory accounting to discontinue the capitalized interest process and early adopted this pronouncement prospectively for fiscal year 2019 resulting in no current year impact.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 – Summary of Significant Accounting Policies (continued)

Reclassifications
Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. Such reclassifications have no effect on previous net revenue or net position.

Utility plant in service and depreciation
Utility plant is stated at original cost. Costs include labor, materials and related indirect costs, such as engineering, transportation and allowance for funds used during construction (i.e. interest). Additions, renewals, and betterments with a cost of $5,000 or greater per item are capitalized. Repairs and minor replacements are recorded as operating expenses. Depreciation is computed using straight-line group rates. When property is retired, the property cost and any removal costs are charged to accumulated depreciation. The estimated useful lives of assets are those used commonly in the utility industry or they are based on the Board's experience with similar assets.

Asset Class	Estimated Depreciable Lives in Years	
	Electric System	Water System
Land	n/a	n/a
Intangible assets	n/a	n/a
Distribution plant	20–50	-
Hydraulic production	15–50	-
Steam production	15–50	-
Other production	15–50	-
Telecommunications	10	-
Transmission plant	25–50	-
General plant	3–50	3–50
Pumping plant	-	15–50
Supply plant	-	20–50
Treatment plant	-	15–50
Transmission & distribution plant	-	15–50

Cash equivalents
For purposes of these statements, cash equivalents are defined as short-term, highly liquid investments both readily convertible to known amounts of cash and so near maturity they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. The Board considers money market accounts and government investment pool holdings to be cash equivalents.

Fair value of financial instruments
The carrying amounts of current assets, including unrestricted, designated and restricted cash and investments, and current liabilities approximate fair value due to the short-term maturity of those instruments. The fair value of the Board's investments and debt are estimated based on the quoted market prices for the same or similar issues.

Note 1 – Summary of Significant Accounting Policies (continued)

Restricted assets
Cash and investments restricted by provisions of bond resolutions and agreements with other parties are identified as restricted assets. When the restricted assets are expendable within the terms of the agreements, it is the Board's policy to spend restricted resources first, then unrestricted resources as needed.

Materials and supplies
Materials and supplies provide for additions and repairs to utility plant and are stated at weighted average cost.

Preliminary investigations
Preliminary investigations consist of costs for projects the Board believes will be viable in the future.

Regulatory assets
The Board has other assets to be charged to future periods matching the reporting periods when the expenses are included for rate-making purposes.

- *Conservation assets* – Conservation assets for the Electric System represent installations of energy saving measures at customer properties. The conservation asset balance is reduced as costs are recovered, which for the most part represent debt service payments included in rates for related borrowing.

- *Unamortized bond issue costs* – Unamortized bond issue costs represent the remaining expense related to various debt issuances. The asset is amortized over the duration of the related debt and recognition of these costs is included in the rate making process.

- *Pension debits* – Pension debits represent a portion of the change in net pension liability, as defined under GASB Statement No. 68. Regulatory accounting is used to recognize pension expense in accordance with the required employer contribution rates set by the Oregon Public Employees Retirement System.

- *Other Post-employment Benefits (OPEB) debits* – OPEB debits represent a portion of the change in net OPEB liability, as defined under GASB Statement No. 75. Regulatory accounting is used to recognize components of OPEB expense in accordance with employer contributions made by the Board.

Debt refundings
For current and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt (gain or loss) is deferred and amortized as a component of interest expense over the remaining life of the old debt or the new debt, whichever is shorter. These amounts are reported as a deferred outflow of resources on the statement of net position.

Note 1 – Summary of Significant Accounting Policies (continued)

Net position
Net position consists of:

- *Net investment in capital assets* – Net investment in capital assets is capital assets, net of accumulated depreciation and outstanding balances of any bonds and other borrowings attributable to the acquisition, construction, or improvement of those assets.

- *Restricted* – Restricted components of net position have constraints placed on their use. Constraints include those imposed by creditors (such as through debt covenants), contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or through enabling legislation.

- *Unrestricted* – The unrestricted component of net position includes remaining amounts neither "restricted" nor "net investment in capital assets."

Operating revenue and expense
Operating revenues are recorded on the basis of service delivered while operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Revenues are derived primarily from the sale and transmission of electricity and from the sale of water. Revenue is recognized when power or water is delivered to and received by the customer. Estimated revenues are accrued for power and water delivered but not yet billed to customers.

At the discretion of management, a deposit may be obtained from the customer. Concentrations of credit risk with respect to receivables for residential customers are limited due to the large number of customers comprising the Board's customer base. Credit losses have been within management's expectations. Similar to its evaluation of residential, commercial and industrial customers' credit reviews, the Board continually evaluates its wholesale power customers (sales for resale revenue) by reviewing credit ratings and financial credit worthiness of existing and new wholesale customers.

Receivables are recorded net of the allowance for doubtful accounts. The allowance is determined by an examination of write off experience in the preceding five years, and consideration of other influences as appropriate.

Contributions in lieu of taxes
In accordance with ORS 225.270, *Use of surplus earnings*, the Electric System makes contributions in lieu of tax (CILT) payments to the City of Eugene at the rate of 6% of retail sales and a fixed component equal to $825,000. The fixed amount is subject to certain annual inflationary adjustments. The Board makes CILT payments to the City of Springfield at the rate of 3% of retail sales for a customer within the boundaries of the City of Springfield.

Note 1 – Summary of Significant Accounting Policies (continued)

Environmental expenses
Fish and plant habitat enhancements, as well as pollution prevention improvements are expensed or capitalized depending on their future economic benefits. Most pollution remediation outlays, legal obligations to address existing pollution, do not qualify for capitalization and are accrued as liabilities and expenses according to the estimated remediation costs on a current cost basis (rather than present value of future costs).

Note 2 – Power Risk Management

The Board's Power Risk Management Guidelines set forth policies, limits and control systems governing power purchase and sale activities for the Electric System. The objectives of such policies are to maximize benefits to the customers from wholesale activities while minimizing the risk wholesale activities will adversely affect retail prices. The Board does not enter into contracts for speculative purposes. During periods when resources are in excess of retail load, the Board may sell excess capacity into the wholesale markets, and is exposed to commodity price risk. The Board enters into forward contracts intended to manage the price risk associated with power sales in the wholesale market.

Derivative financial instruments
In accordance with policy guidelines, the Board utilizes derivative instruments to minimize its exposure to commodity price risk. Hedging derivatives are reported on the statement of net position at fair value. The fair value of options and swaptions are determined using the Black formula. The fair value of financial swaps is determined by comparing the contract prices with the forecasted market prices.

All potential hedging derivatives were evaluated for effectiveness using the consistent critical terms method. A derivative instrument is effective under criteria for consistent critical terms when the significant terms of the hedging instrument and the hedgeable item are alike. The significant terms for hedging derivatives are the time period, quantity, price index, and point of delivery.

As of December 31, 2020, hedging derivatives with a fair value of $806,000 were reported as other assets and deferred inflows. Hedging derivatives with a fair value of $1.4 million were reported as other liabilities and deferred outflows. Changes in fair value are reported as an increase in other assets or other liabilities and deferred inflows or outflows of resources until the time of settlement. When hedging derivatives settle, revenue or expense is recorded as either purchased power or wholesale sales.

Note 2 – Power Risk Management (continued)

Investment derivatives

Hedging derivatives found through testing to be ineffective are classified as investment derivatives. At that time, the fair value, including any fair value changes previously deferred on the balance sheet, are recorded as investment revenue and a deferred inflow or outflow. As of December 31, 2020 and 2019, there were no investment derivatives or related investment revenue.

	Options			
	Hedging Derivatives		Investment Derivatives	
	2020	2019	2020	2019
Notional value	$ 1,365,058	$ 1,833,592	$ -	$ -
Fair value – asset	806,347	1,021,222	-	-
Fair value – liability	1,365,058	1,445,152	-	-
Cash paid	1,365,058	1,833,592	-	-
Reference rates	Mid-C index	Mid-C index	-	-
Dates entered into	8/19 - 10/20	4/19 - 8/19	-	-
Dates of maturity	1/21 - 6/22	1/20 - 3/21	-	-

Credit risk

The Board enters into forward purchase and sale contracts for electricity with other industry participants such as public and investor owned utilities, financial institutions, gas and oil producers, and energy marketers. Through this participation, the utility is exposed to credit risk related to the possibility of non-performance by its counterparties. To limit the risk of counterparty default or non-performance, the Board uses an evaluation process assigning an internal measure of credit worthiness to the Board’s counterparties and sets limits to the dollar value of business transacted with counterparties. On a case-by-case basis, the Board may require letters of credit, cash collateral, pre-payment or other forms of credit support to ensure counterparty performance. Other assurances may include accelerated invoicing or pre-payment. In addition, the Board generally establishes netting arrangements with counterparties.

As of December 31, 2020, all derivative instrument assets were with three counterparties and the aggregate fair value was $806,000. This represents the maximum loss that would be recognized if the counterparties to the derivative instrument assets failed to perform as contracted. Counterparty credit ratings ranged from Baa2 to A+. This maximum exposure is reduced by $669,000 of liabilities included in a netting arrangement.

Termination risk

Hedging derivative contracts may be terminated by mutual agreement of the Board and the counterparty, or upon the occurrence of a termination event. Termination events include non-payment, non-delivery, deterioration of creditworthiness, or other material adverse changes. During the years 2020 and 2019, there were no terminations.

Note 3 – Utility Plant

The major classifications of utility plant in service are as follows:

	Electric Utility Plant			
	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020
Plant in service not subject to depreciation				
Land	$ 9,337,835	$ 274,899	$ -	$ 9,612,734
Intangible assets	231,716	-	-	231,716
Plant in service subject to depreciation				
Intangible assets	23,526,562	4,831		23,531,393
Steam production	10,363,488	4,056	-	10,367,544
Hydro production	170,605,261	4,459,015	(52,213,900)	122,850,376
Transmission	84,207,010	309,113	(226,013)	84,290,110
Distribution	325,638,748	15,789,710	(4,232,808)	337,195,650
Telecommunications	19,753,703	38,503	-	19,792,206
General plant	161,186,720	1,850,591	(5,412)	163,031,899
Completed construction, not yet classified	11,466,539	32,829,054	(11,466,538)	32,829,055
Total utility plant in service	816,317,582	55,559,772	(68,144,671)	803,732,684
Accumulated depreciation	(446,919,036)	(22,806,896)	18,698,746	(451,027,186)
Plant not subject to depreciation				
Property held for future use	1,344,855	35,704,895	-	37,049,750
Construction work in progress	37,056,305	39,283,956	(36,938,445)	39,401,817
Net utility plant	$ 407,799,706	$ 107,741,727	$ (86,384,370)	$ 429,157,065

Note 3 – Utility Plant (continued)

	Electric Utility Plant			
	Balance December 31, 2018	Increases	Decreases	Balance December 31, 2019
Plant in service not subject to depreciation				
Land	$ 8,969,999	$ 367,836	$ -	$ 9,337,835
Intangible assets	231,716	-	-	231,716
Plant in service subject to depreciation				
Intangible assets	-	23,526,562	-	23,526,562
Steam production	10,363,488	-	-	10,363,488
Hydro production	162,579,170	8,036,955	(10,864)	170,605,261
Wind production	11,789,767	-	(11,789,767)	-
Transmission	84,785,666	684,789	(1,263,445)	84,207,010
Distribution	313,808,256	14,964,158	(3,133,666)	325,638,748
Telecommunications	19,452,087	302,425	(809)	19,753,703
General plant	158,027,521	3,404,343	(245,144)	161,186,720
Completed construction, not yet classified	16,979,284	11,466,538	(16,979,283)	11,466,539
Total utility plant in service	786,986,954	62,753,606	(33,422,978)	816,317,582
Accumulated depreciation	(436,984,343)	(23,997,144)	14,062,451	(446,919,036)
Plant not subject to depreciation				
Property held for future use	782,512	562,343	-	1,344,855
Construction work in progress	16,972,396	33,613,421	(13,529,512)	37,056,305
Net utility plant	$ 367,757,519	$ 72,932,226	$ (32,890,039)	$ 407,799,706

Note 3 – Utility Plant (continued)

	Water Utility Plant			
	Balance December 31, 2019	Increases	Decreases	Balance December 31, 2020
Plant in service not subject to depreciation				
Land	$ 1,258,733	$ 36,224	$ -	$ 1,294,957
Intangible assets	58,188	-	-	58,188
Plant in service subject to depreciation				
Source of supply	24,670,897	781,439	-	25,452,336
Pumping	14,245,161	5,913	-	14,251,074
Water treatment	38,803,342	115,017	-	38,918,359
Transmission & distribution	180,193,856	9,815,255	(735,998)	189,273,113
General plant	38,832,453	731,666	(1,188)	39,562,931
Completed construction, not yet classified	2,759,123	11,872,769	(2,759,123)	11,872,769
Total utility plant in service	300,821,753	23,358,283	(3,496,309)	320,683,727
Accumulated depreciation	(129,025,071)	(7,124,019)	284,898	(135,864,192)
Plant not subject to depreciation				
Property held for future use	2,396,812	-	(397,523)	1,999,289
Construction work in progress	11,498,352	15,414,652	(17,416,297)	9,496,707

Note 3 – Utility Plant (continued)

	Water Utility Plant			
	Balance December 31, 2018	Increases	Decreases	Balance December 31, 2019
Plant in service not subject to depreciation				
Land	$ 1,258,733	$ -	$ -	$ 1,258,733
Intangible assets	58,188	-	-	58,188
Plant in service subject to depreciation				
Source of supply	24,411,213	259,684	-	24,670,897
Pumping	12,404,017	1,955,915	(114,771)	14,245,161
Water treatment	35,742,975	3,060,367	-	38,803,342
Transmission & distribution	171,666,471	9,496,135	(968,750)	180,193,856
General plant	37,847,775	1,021,504	(36,826)	38,832,453
Completed construction, not yet classified	6,418,961	2,759,123	(6,418,961)	2,759,123
Total utility plant in service	289,808,333	18,552,728	(7,539,308)	300,821,753
Accumulated depreciation	(123,146,121)	(6,932,826)	1,053,876	(129,025,071)
Plant not subject to depreciation				
Property held for future use	2,396,812	-	-	2,396,812
Construction work in progress	6,551,690	13,227,151	(8,280,489)	11,498,352

Capital contributions
Contributions in Aid of Construction and System Development Charges are paid by developers and customers to cover the cost of new electric and water infrastructure (capital assets). When developers install and cover the costs of the infrastructure directly, those assets are referred to as Contributed Plant Assets.

Note 4 – Cash and Investments

The Board maintains cash and investments in several fund accounts in accordance with bond resolutions and Board authorization. Descriptions of these fund account types are as follows:

Restricted cash and investments
Customer deposits and other – Used to account for 1) deposits collected from retail customers and held for future refund or application to customer account balances, and 2) donations to the Customer Care Program.

Note 4 – Cash and Investments (continued)

Harvest Wind escrow accounts – Funds include amounts held in escrow related to EWEB's investment in the Harvest Wind Project, consisting of funds deposited to escrow from the receipt of federal energy grant funds in 2010, and a deposit in lieu of letter of credit with regard to the Project's transmission contract with Klickitat PUD.

Construction funds – Used to account for legally restricted cash and investments for the purpose of construction of capital projects. Funds include proceeds from the issuance of bonds and notes.

System development charge reserves – Used to account for charges assessed and collected in conjunction with installation of new water services in the Water System and are restricted by State of Oregon Statutes to system enhancements and other related capital expenditures.

Debt service reserves – Deposits held for debt service coverage pursuant to bond indentures and/or in lieu of bond sureties.

Investments for bond principal and interest – Used to account for cash and investments restricted by Bond Indentures of Trust for future payment of principal and interest on debt.

Detailed amounts for restricted cash and investments were as follows:

	2020		2019	
	Electric System	Water System	Electric System	Water System
Debt service reserves	$ 6,696,693	$ 1,492,130	$ 6,638,349	$ 2,398,358
Customer deposit and other	1,809,957	-	1,800,310	-
Harvest Wind escrow accounts	1,952,824	-	1,985,591	-
Construction funds	55,545,654	11,405,384	19,465,578	-
System development charge reserves	-	6,033,489	-	7,935,754
Investments for bond principal and interest	13	4	766	206
Total restricted cash and investments	$ 66,005,141	$ 18,931,007	$ 29,890,594	$ 10,334,318

Designated cash and investments

Rate stabilization fund – Used to account for cash and investments the Board has designated to reserve for one-time expenditures, with any allocations made at Board discretion.

Power reserve – Used to account for cash and investments the Board has designated to reserve for fluctuations in purchased power costs, load, generation levels, or margin requirements.

Capital improvement reserve – Used to account for cash and investments the Board has designated to reserve for capital improvements.

Note 4 – Cash and Investments (continued)

Second source fund – Used to account for cash and investments the Board has designated to reserve for costs incurred to create a secondary water source.

Operating reserves – Used to account for cash and investments the Board has designated for payments of emergency operating costs and self-insured claims.

Pension and medical reserves – Used to account for cash and investments the Board has designated for pension and post-retirement medical costs.

Detailed amounts for designated cash and investments were as follows:

	2020		2019	
	Electric System	Water System	Electric System	Water System
Rate stabilization fund	$ 24,468,927	$ 1,000,000	$ 24,468,927	$ 1,000,000
Power reserve	17,000,000	-	17,000,000	-
Capital improvement reserve	23,900,770	12,148,754	22,188,327	11,206,669
Second source fund	-	5,449,521	-	5,861,521
Operating reserve	5,856,679	1,374,818	7,853,568	1,584,364
Pension and medical reserve	974,000	393,000	-	-
Total designated cash and investments	$ 72,200,376	$ 20,366,093	$ 71,510,822	$ 19,652,554

Deposits with financial institutions are comprised of bank demand deposits, certificates of deposit, and money market accounts. The total bank balances, as recorded in bank records at December 31, 2020, were $34.5 million. Of the bank balances, $4.1 million were covered by federal depository insurance and $30.4 million were collateralized with securities.

Custodial credit risk for deposits is in the event of failure of a depository financial institution a depositor will not be able to recover deposits or will not be able to recover collateral securities in possession of an outside party. Deposits not covered by depository insurance are exposed to custodial credit risk when collateral for deposits is held by the pledging institution or its trust department or agency, but not in the name of the depositor. Within the Public Funds Collateralization Program (PFCP) in Oregon, securities pledged by financial institutions are required to be held in the name of the pool, and, therefore, cannot be in the Board's name. However, provided an entity is recognized by the PFCP administrator as an entity covered by the pool, balances in excess of FDIC are covered by the collateral of the pool.

The Board's investments during the year, which included obligations of the U.S. Government, are authorized by State of Oregon Statutes and bond resolution and by the Board's investment policy. Authorized investments include the Oregon Local Government Investment Pool (LGIP), U.S. Treasury securities, U.S. Government Agency securities, public funds money market accounts, corporate commercial paper and bonds, and other investments enumerated in and authorized by ORS 294.035, *Investments of surplus funds of political subdivisions*.

Note 4 – Cash and Investments (continued)

The LGIP is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. The OSTF is not subject to SEC regulation. The OSTF is subject to requirements established in Oregon Revised Statutes, investment policies adopted by the Oregon Investment Council, and portfolio guidelines established by the OSTF Board. The Governor appoints the members of the Oregon Investment Council and OSTF Board. The fair value of the Board's position in the pool is the same as the value of the pool shares. Financial statements for the OSTF may be obtained from the Oregon State Treasurer's website.

As of December 31, 2020, the Board held the following investments (Electric and Water Systems combined):

Investment Type	Credit Rating	Carrying Value	Weighted Average Maturity (Years)	% of Portfolio
Local Government Investment Pool	Unrated	$ 50,222,850	0.00	23.5%
U.S. Agency Securities				
FHLB		7,150,970		3.4%
FNMA		13,402,909		6.3%
FHLMC		21,056,860		9.9%
FFCB		24,592,380		11.5%
FAMCA		8,039,000		3.8%
Other Agency		4,063,940		1.9%
Subtotal U.S. Agency	AA	78,306,059	1.33	36.8%
U.S. Treasury Securities	AAA	65,534,556	1.42	30.7%
Municipal Bonds	AA	3,031,884	1.52	1.4%
Corporate Bonds	AA	16,290,420	1.53	7.6%
Subtotal all securities		163,162,919	1.19	76.5%
Total		$ 213,385,769	0.91	100.0%

Note 4 – Cash and Investments (continued)

As of December 31, 2019, the Board held the following investments (Electric and Water Systems combined):

Investment Type	Credit Rating	Carrying Value	Weighted Average Maturity (Years)	% of Portfolio
Local Government Investment Pool	Unrated	$ 49,528,363	0.00	36.2%
U.S. Agency Securities				
FHLB		15,762,207		11.5%
FNMA		5,299,224		3.9%
FHLMC		14,406,218		10.5%
FFCB		11,479,910		8.4%
FAMCA		7,259,676		5.3%
Other Agency		2,044,460		1.5%
Subtotal U.S. Agency	AA	56,251,695	1.00	41.1%
U.S. Treasury Securities	AAA	23,022,572	0.44	16.9%
Corporate Bonds	AA	7,882,452	1.24	5.8%
Subtotal all securities		87,156,719	0.93	63.8%
Total		$ 136,685,082	0.59	100.0%

Concentration risk is when investments are concentrated in one issuer. This concentration presents a heightened risk of potential loss. This does not apply for pooled investments or investments directly in the U.S. government. ORS 294.035 limits investment in any single issuer of bonds to 5% of a portfolio; there is not a limit for investment in U.S. Agencies. Many government-sponsored agency securities are not backed by the full faith and credit of the U.S. government, including those held by the Board, although market participants widely believe the government would provide financial support to an agency if the need arose. The Board does not have a policy for investment concentration in those agencies. Regarding the LGIP, with the exception of pass-through funds, the maximum amount of pooled investments to be placed in the pool is limited by ORS 294.810, *Local governments authorized to place limited funds in pool*, to $51.2 million as of December 31, 2020.

The “weighted average maturity in years” calculation assumes all investments are held until maturity.

Note 4 – Cash and Investments (continued)

As a means of limiting its exposure to fair value losses resulting from changes in interest rates, the Board's investment policy limits at least 25% of its investment portfolio to maturities of less than 180 days. Investment maturities are limited as follows:

Maturity	Minimum Investment
Less than 180 days	25%
Less than 1 year	40%
Less than 3 years	100%

Custodial credit risk for investments is in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities in the possession of an outside party because they are neither insured nor registered and they are held by the counterparty or the counterparty's trust department or agent, but not in the investor's name. All of the aforementioned investments, and the investments in the LGIP, which are not evidenced by securities, are held in the Board's name by a third-party custodian. The Board's policy, which adheres to Oregon statutes, is to limit its investments to the top two ratings issued by nationally recognized credit rating organizations. As a general practice, and in a further effort to minimize credit risk, the Board invests primarily in U.S. agency investments and in the LGIP.

Cash and investments consisted of the following:

	Restricted Cash and Investments	Cash and Cash Equivalents and Short-Term Investments	Designated Funds	Total Carrying Amount 2020	Total Carrying Amount 2019
ELECTRIC SYSTEM					
Cash on hand	$ -	$ 13,560	$ -	$ 13,560	$ 13,560
Cash in bank	2,773,384	13,491,147	-	16,264,531	34,926,439
Investments in the State of Oregon local government investment pool	13,468,063	7,737,048	17,367,532	38,572,643	38,190,455
Investments – U.S. Agencies, Treasuries, and Corp.	49,763,694	20,292,942	54,832,844	124,889,480	65,935,031
Total electric system	66,005,141	41,534,697	72,200,376	179,740,214	139,065,485
WATER SYSTEM					
Cash in bank	778	8,917,194	-	8,917,972	9,005,985
Investments in the State of Oregon local government investment pool	4,194,856	2,556,363	4,898,988	11,650,207	11,337,908
Investments – U.S. Agencies, Treasuries, and Corp.	14,735,373	8,070,961	15,467,105	38,273,439	21,221,688
Total water system	18,931,007	19,544,518	20,366,093	58,841,618	41,565,581
	$ 84,936,148	$ 61,079,215	$ 92,566,469	$ 238,581,832	$ 180,631,066

Note 5 – Fair Value Measurement

The Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Board determines disclosures related to these investments only need to be disaggregated by major type because investing is not a core part of the Board's mission. The Board has the following recurring fair value measurements:

As of December 31, 2020:

		Fair Value Measurements Using		
	2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. treasury securities	$ 63,534,556	$ 65,534,556	$ -	$ -
U.S. agencies	78,306,059	-	78,306,059	-
Corporate bonds	16,290,420	-	16,290,420	-
Municipal bonds	3,031,884	-	3,031,884	-
Total debt securities	$ 163,162,919	$ 65,534,556	$ 97,628,363	$ -
Derivative instruments				
Effective hedge-asset	$ 806,347	$ -	$ 806,347	$ -
Effective hedge-liability	(1,365,058)	-	(1,365,058)	-
Total derivatives	$ (558,711)	$ -	$ (558,711)	$ -

Note 5 – Fair Value Measurement (continued)

As of December 31, 2019:

		Fair Value Measurements Using		
	2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. treasury securities	$ 23,022,572	$ 23,022,572	$ -	$ -
U.S. agencies	56,251,695	-	56,251,695	-
Corporate bonds	7,882,452	-	7,882,452	-
Total debt securities	$ 87,156,719	$ 23,022,572	$ 64,134,147	$ -
Derivative instruments				
Effective hedge-asset	$ 1,021,222	$ -	$ 1,021,222	$ -
Effective hedge-liability	(1,445,152)	-	(1,445,152)	-
Total derivatives	$ (423,930)	$ -	$ (423,930)	$ -

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 of the fair value hierarchy are valued using various market and industry inputs, including institutional bond quotes.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using an approach considering contract prices with forecast market prices.

Note 6 – Receivables

Significant receivables were as follows:

	2020		2019	
	Electric System	Water System	Electric System	Water System
Current receivables				
Accounts receivable	$ 25,372,317	$ 3,336,638	$ 30,385,872	$ 3,505,329
Allowance for doubtful accounts	(367,405)	(30,230)	(414,708)	(29,972)
Net accounts receivable	25,004,912	3,306,408	29,971,164	3,475,357
Loans to customers	1,914,952	110,833	3,250,137	69,486
Receivable from FEMA	844,519	-	51,625	-
Interest receivable	543,601	160,385	297,616	101,043
Miscellaneous receivables	827,720	-	435,478	-
Receivables, less allowance	$ 29,135,704	$ 3,577,626	$ 34,006,020	$ 3,645,886
Long-term receivables				
Incentive loans to customers	$ 3,103,002	$ 133,830	$ 3,514,596	$ 120,067
Long-term receivables, conservation, and other	$ 3,103,002	$ 133,830	$ 3,514,596	$ 120,067

Total amounts written off for the year ended December 31, 2020 were $512,000 ($582,000 for 2019) for the Electric System and $63,000 ($45,000 for 2019) for the Water System.

Note 7 – Payables

Current payables were as follows:

	2020		2019	
	Electric System	Water System	Electric System	Water System
Accounts payable	$ 6,118,488	$ 813,744	$ 6,218,459	$ 689,330
Accrued purchased power	12,767,611	-	12,908,326	-
Construction payables	1,137,288	515,198	1,469,368	162,841
Contributions in lieu of taxes	1,232,085	-	1,223,831	-
Customer deposits	443,834	-	673,819	-
Equipment purchases	102,309	-	175,274	118,239
Miscellaneous payables	95,524	14,196	66,919	31,602
Total payables	$ 21,897,139	$ 1,343,138	$ 22,735,996	$ 1,002,012

Note 8 – Other Assets and Other Liabilities

Other assets and other liabilities were as follows:

	2020		2019	
	Electric System	Water System	Electric System	Water System
Other assets				
Non-utility property	$ 61,587	$ 579,162	$ 196,585	$ 181,639
Research & demonstration projects	-	-	25,137	-
Derivatives at fair value	806,347	-	1,021,222	-
Option premiums long-term	166,600	-	343,520	-
Prepaid transmission expense – Harvest Wind	769,908	-	867,160	-
Regulatory assets				
Pension debits	15,994,929	8,144,637	9,654,702	6,142,460
OPEB debits	5,514,092	2,266,036	3,900,071	1,756,345
Conservation assets	1,007,348	-	1,077,582	-
Unamortized bond issue costs	1,466,926	648,957	1,174,642	438,102
Other assets	$ 25,787,737	$ 11,638,792	$ 18,260,621	$ 8,518,546
Other liabilities				
Derivatives at fair value	$ 1,365,058	$ -	$ 1,445,152	$ -
Environmental clean up	317,640	-	364,640	-
Sick leave – upon retirement	828,726	261,703	698,661	220,630
System development charge	-	53,496	-	47,801
Other liabilities	$ 2,511,424	$ 315,199	$ 2,508,453	$ 268,431

Note 9 – Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources were as follows:

	2020		2019	
	Electric System	Water System	Electric System	Water System
Deferred outflows of resources				
Accumulated decrease in fair value of hedging derivatives	$ 1,365,058	$ -	$ 1,445,152	$ -
Unamortized losses on bond refunding	6,661,764	1,861,126	7,169,238	1,389,262
Pension – differences between expected and actual experience	2,522,215	796,489	3,228,553	1,019,542
Pension – net difference between projected and actual earnings on investments	6,738,596	2,127,978	-	-
Pension – changes of assumptions	3,075,502	971,212	7,942,218	2,508,069
Pension – differences between Board contributions and proportionate share of contributions	18,050,112	5,700,035	3,285,869	1,037,643
Pension contributions subsequent to measurement date	2,720,112	858,982	23,763,750	7,504,342
OPEB – changes of assumptions	2,804,393	885,599	5,516,627	1,742,096
Deferred outflows of resources	$ 43,937,752	$ 13,201,421	$ 52,351,407	$ 15,200,954
Deferred inflows of resources				
Accumulated increase in fair value of hedging derivatives	$ 806,347	$ -	$ 1,021,222	$ -
Pension – net difference between projected and actual earnings on investments	-	-	1,659,674	524,108
Pension – changes of assumptions	107,759	34,029	-	-
Pension – changes in proportion	19,642,451	6,202,879	15,627,064	4,934,861
OPEB – net difference between expected and actual experience	2,116,711	668,435	2,288,496	722,683
OPEB – net difference between projected and actual earnings on investments	1,344,416	424,553	680,312	214,835
Deferred inflows of resources	$ 24,017,684	$ 7,329,896	$ 21,276,768	$ 6,396,487

Note 10 – Investment in Western Generation Agency

The Board is a party to an Intergovernmental Agency, Western Generation Agency (WGA), which is governed equally by the Board and Clatskanie PUD. WGA owns a 36 MW nameplate cogeneration project (the Project) at the Georgia Pacific mill in Wauna, Oregon.

The investment in WGA consists of 50% of net income and losses, and distributions from excess cash. During 2020, $3.2 million in distributions was received ($1.0 million in 2019). The balance of the investment as of December 31, 2020, was $3.0 million including estimated income of $2.4 million ($3.8 million at December 31, in 2019 including estimated income of $1.8 million). Income is reported with investment earnings.

The Board and Clatskanie PUD each purchase 50% of the Project's output. Financial information for the Project is included in the financial statements of WGA and may be obtained from Clatskanie PUD.

Note 11 – Investment in Harvest Wind

The Board is a party to a joint ownership agreement, whereby the Board made an equity investment in the Harvest Wind project, a 98.9 megawatt wind generating facility located in Klickitat County, Washington. The Board's ownership share of Harvest Wind is 20%. Other owners are Peninsula Light Co., 20%, Cowlitz PUD, 30%, and Lakeview Light & Power, 30%. Commercial operations began on December 15, 2009.

During 2009, the joint owners of Harvest Wind elected to classify the project as an association taxable as a corporation. At the time of the election, all project assets were treated as contributed to the corporation. The corporation received a 4% share, and the joint owners received shares in proportion to their ownership. Owners share in power output, income and expenses according to their ownership shares.

The investment in Harvest Wind consists of the Board's share of costs to develop the project, 20% of the Project's net income and losses, and any distributions. At December 31, 2020 the balance of the Board's investment in Harvest Wind was $18.9 million ($20.0 million at December 31, 2019) including estimated income of $745,000 ($451,000 in 2019) and distributions of $1.8 million ($1.6 million in 2019).

The Board is committed, through an energy purchase agreement, to purchase its share of the output from the Project, and pay its share of project expenses through year 2029. Additionally, the Board is committed, through a transmission service agreement and a transmission payment agreement, to subsidize the construction and replacement of transmission lines, deposit funds to ensure contract performance, and purchase transmission from the owner of the transmission lines through the year 2029.

Under the terms of a payment agreement, the Board deposited $1,340,000 from 2010 treasury grant proceeds in an escrow account to ensure payment of its share of contingent liabilities of the corporation. If no such contingencies occur, the funds will be released from escrow.

Note 11 – Investment in Harvest Wind (continued)

Under the terms of a transmission agreement, the Board has $577,000 as of December 31, 2020 ($610,000 at December 31, 2019) on deposit in an escrow account to ensure the payment of monthly transmission interconnection expenses.

Financial information for the project is included in the financial statements of the project and may be obtained from the Board.

Note 12 – Long-Term Debt

On June 4, 2020, the Water System issued $18.5 million in revenue bonds for the purpose of capital improvements and $14.9 million in revenue refunding bonds. Proceeds from the refunding bonds of $14.9 million plus $932,000 released from debt service funds were used to refund the Series 2011 bonds and to pay costs of issuance. The refunding reduced aggregate debt service payments through year 2040 by $3.7 million. The economic gain was $2.2 million.

On June 11, 2020, the Electric System issued $39.2 million in revenue bonds for the purpose of capital improvements and $16.8 million in revenue refunding bonds. Proceeds from the refunding bonds of $16.8 million were used to refund a portion of the Series 2012 bonds and to pay costs of issuance. The refunding reduced aggregate debt service payments through year 2038 by $2.7 million. The economic gain was $2.5 million.

The Board has defeased bonds by placing proceeds and other sources of cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Board’s financial statements. At December 31, 2020, $75.1 million of Electric System bonds and $14.3 million of Water System bonds are considered defeased ($63.1 million of Electric System bonds at December 31, 2019).

The resolutions authorizing the issuance of revenue bonds contain various covenants, sinking fund requirements and obligations with which the Board must comply. The principal and interest requirements are reflected in the supplementary schedule “Long-Term Bonded Debt and Interest Payment Requirements.” To comply with sinking fund deposit requirements, the Board makes semi-annual deposits with the trustee, less accumulated interest earnings. The interest payments are made semi-annually on February 1 and August 1, and principal payments on August 1. At December 31, 2020 and 2019, no assets were pledged as security for the outstanding bonds of the Electric and Water Systems.

Note 12 – Long-Term Debt (continued)

Bonds and notes payable were as follows:

	2020	2019
Electric Utility System Revenue and Refunding Bonds		
2011 Series A, 6-08-11 issue		
Serial bonds 1.90%–2.85%, due 2017–2020	$ -	$ 2,475,000
2011 Series B, 6-08-11 issue		
Serial bonds 1.00%–4.35%, due 2013–2023	2,845,000	3,720,000
2012 Series, 8-1-12 issue		
Serial bonds 2.00%–5.00%, due 2013–2032	9,370,000	14,510,000
Term bonds, 5.00%, due 2033–2038	-	10,165,000
Term bonds, 3.75%, due 2039–2042	8,475,000	8,475,000
2016 Series A, 9-7-16 issue		
Serial bonds 2.00%–5.00%, due 2017–2036	80,665,000	81,565,000
Term bonds 4.00%, due 2037–2040	8,065,000	8,065,000
2016 Series B, 9-7-16 issue		
Serial bonds .835%–1.840%, due 2017–2022	8,585,000	12,405,000
2017 Series, 9-21-17 issue		
Serial bonds 5.00%, due 2027–2043	23,635,000	23,635,000
Term bonds 5.00%, due 2043-2047	10,160,000	10,160,000
2020 Series A, 6-11-20 issue		
Serial bonds 3.00%–4.00%, due 2027–2040	19,840,000	-
Term bonds 4.00%, due 2041-2045	9,910,000	-
Term bonds 4.00%, due 2046-2049	9,450,000	-
2020 Series B, 6-11-20 issue		
Serial bonds 1.341%-2.827%, due 2024–2038	16,790,000	-
	207,790,000	175,175,000
Add unamortized premium	27,326,384	23,497,051
Electric System bonds payable	235,116,384	198,672,051
Less current portion	6,745,000	8,540,000
Electric System bonds payable, net of current portion	228,371,384	190,132,051

Note 12 – Long-Term Debt (continued)

	2020	2019
Water Utility System Revenue and Refunding Bonds		
2011 Series, 6-08-11 issue		
Serial bonds, 2.00%–4.25%, due 2014–2031	$ -	$ 6,790,000
Term bonds, 4.50%–5.00%, due 2032–2040	-	7,935,000
2016 Series, 5-19-16 issue		
Serial bonds, 2.00%–5.00%, due 2017–2037	25,570,000	27,425,000
Term bonds, 4.00%, due 2038–2045	6,860,000	6,860,000
2020 Series A, 6-04-20 issue		
Serial bonds, 3.00%–4.00%, due 2023–2040	10,490,000	-
Term bonds, 3.00%, due 2041-2044	3,290,000	-
Term bonds, 3.00%, due 2045-2049	4,690,000	-
2020 Series B, 6-04-20 issue		
Serial bonds, .923%–2.631%, due 2021–2035	10,475,000	-
Term bonds, 3.123%, due 2036-2040	4,430,000	-
	65,805,000	49,010,000
Add unamortized premium	5,757,546	4,633,716
Water System bonds payable	71,562,546	53,643,716
Less current portion	2,555,000	2,325,000
Water System bonds payable, net of current portion	69,007,546	51,318,716
Total System long-term debt, net of current portion	$ 297,378,930	$ 241,450,767

The schedule of maturities for principal and interest on bonded debt is as follows:

	Electric System		Water System	
	Principal	Interest	Principal	Interest
2021	$ 6,745,000	$ 8,594,847	$ 2,555,000	$ 2,372,132
2022	8,260,000	8,419,242	2,660,000	2,269,659
2023	9,095,000	8,177,558	2,390,000	2,161,399
2024	7,980,000	7,747,310	2,490,000	2,070,052
2025	8,275,000	7,370,236	2,575,000	1,986,913
2026–2030	48,345,000	30,987,700	14,425,000	8,366,765
2031–2035	44,095,000	20,041,545	13,040,000	5,733,315
2036–2040	35,995,000	12,800,920	13,705,000	3,346,041
2041–2045	24,650,000	6,186,588	8,160,000	1,444,800
2046–2049	14,350,000	1,334,098	3,805,000	289,350
	$ 207,790,000	$ 111,660,044	$ 65,805,000	$ 30,040,426

Note 12 – Long-Term Debt (continued)

Long-term debt activity for the year ended December 31, 2020 was as follows:

	Outstanding January 1, 2020	Additions	Reductions	Outstanding December 31, 2020	Due Within One Year
Electric revenue bonds	$ 175,175,000	$ 55,990,000	$ (23,375,000)	$ 207,790,000	$ 6,745,000
Water revenue bonds	49,010,000	33,375,000	(16,580,000)	65,805,000	2,555,000
Total bonded debt	$ 224,185,000	$ 89,365,000	$ (39,955,000)	$ 273,595,000	$ 9,300,000

Long-term debt activity for the year ended December 31, 2019 was as follows:

	Outstanding January 1, 2019	Additions	Reductions	Outstanding December 31, 2019	Due Within One Year
Electric revenue bonds	$ 183,620,000	$ -	$ (8,445,000)	$ 175,175,000	$ 8,540,000
Water revenue bonds	51,240,000	-	(2,230,000)	49,010,000	2,325,000
Total bonded debt	$ 234,860,000	$ -	$ (10,675,000)	$ 224,185,000	$ 10,865,000

Note 13 – Intersystem Items

1. Obligations

	2020		
	Electric System	Water System	Total Systems
Due from Water, (Due to) Electric			
Current			
Interest	$ 13,825	$ (13,825)	$ -
Roosevelt Operations Center	361,303	(361,303)	-
	375,128	(375,128)	-
Non-current			
Roosevelt Operations Center	6,419,950	(6,419,950)	-
Totals	$ 6,795,078	$ (6,795,078)	$ -

Note 13 – Intersystem Items (continued)

	2019		
	Electric System	Water System	Total Systems
Due from Water, (Due to) Electric			
Current			
Interest	$ 14,544	$ (14,544)	$ -
Roosevelt Operations Center	352,580	(352,580)	-
	367,124	(367,124)	-
Non-current			
Roosevelt Operations Center	6,781,253	(6,781,253)	-
Totals	$ 7,148,377	$ (7,148,377)	$ -

Amounts receivable and payable between the Electric and Water Systems and related interest earnings and expense are eliminated in the Total System columns of the financial statements.

Roosevelt Operations Center
The Electric System financed the acquisition and construction of the Board's Roosevelt Operations Center consisting of land, buildings, equipment and personal property placed into service during November 2010. Both the Electric and Water Systems occupy the property. A payment schedule was established in November 2010 whereby the Water System will repay the Electric System for its estimated share of the fair value of the property and the associated financing costs incurred by the Electric System without gain to the Electric System. The Roosevelt Operations Center was recorded in equal amounts as Plant in Service and an obligation for the Water System, along with depreciation expense and a receivable for the Electric System.

Payments are revised for refinancing of underlying debt incurred by the Electric System. The obligation is also revised for capitalized improvements at the facility if they are financed by the Electric System. Monthly payments were approximately $44,000 as of December 31, 2020 and December 31, 2019 on a capitalized value of $17.6 million for the Water System.

Annual totals for payments (including interest) as of December 31, 2020 were as follows:

2021	$ 523,173
2022	523,173
2023	523,173
2024	523,173
2025	523,173
2026–2030	2,615,863
2031–2035	2,615,863
2036	317,253
	$ 8,164,844

Note 13 – Intersystem Items (continued)

2. **Intersystem Transfer** – The Electric System transferred approximately $196,000 to the Water System in 2020 for cumulative rental income received by the Electric System pertaining to property of the Water System.

Note 14 – Net position

Components of net position as of December 31, 2020 and 2019 are as follows:

	2020		2019	
	Electric System	Water System	Electric System	Water System
Net investment in capital assets	$ 251,253,583	$ 131,358,176	$ 241,619,954	$ 126,446,037
Restricted for:				
Customer care program	1,366,122	-	1,126,491	-
Harvest Wind escrow	1,952,824	-	1,985,591	-
System development changes	-	5,979,993	-	7,887,954
Debt service	3,115,521	503,746	3,439,981	1,507,558
	6,434,467	6,483,739	6,552,063	9,395,512
Unrestricted	129,851,406	37,370,477	130,266,680	28,837,323
	$ 387,539,456	$ 175,212,392	$ 378,438,697	$ 164,678,872

Note 15 – Special Items

In 2019, the Board made a $22.0 million deposit to an Oregon Public Employees Retirement System (OPERS) side-account. It reduced EWEB's employer contribution rate as of November 1, 2019 and will provide ongoing savings. In addition, this deposit received a $5.5 million match from the state's Employer Incentive Fund.

Note 16 – Power Supply Resources

Bonneville Power Administration

Bonneville Power Administration Contracts – A contract was signed on December 4, 2008 providing power to EWEB from October 1, 2011 through September 30, 2028. The Board reselected a combination of both Block and Slice System power products from those offered by Bonneville Power Administration (BPA) in the previous contract which ended September 30, 2011. While Slice and Block are still the offered products, BPA implemented new policies on how it sells power and what it will charge to meet customer's future load growth. Under BPA's tiered rate methodology policy, BPA has allocated the power output and operational costs of the existing low-cost federal resources into a tier 1 pool. The tier 1 power was allocated to public power customers like EWEB based on each customer's 2010 actual weather-adjusted load. The allocation determined the maximum planned amount of tier 1 power.

Note 16 – Power Supply Resources (continued)

Each product provides attributes bringing different kinds of flexibility to the Board's power portfolio. The Slice product provides a percentage of BPA's resources rather than a guaranteed amount of power and in exchange the Board pays its Slice contract percentage share of BPA's costs. Slice output, in combination with the Block and other EWEB resources, may be more or less than what is needed to serve EWEB's hourly retail loads. In the spring months, available must- run water in the Columbia system is typically high due to the runoff from snow melting, and the increased power generation may require BPA to rely on spilling water as a tool to balance generation with demand. However, to maintain safe water conditions to protect fish, spills are limited. The risk associated with the Slice product is managing the water variability and available Slice storage to economically meet hourly load obligations and to optimally dispatch the value of the surplus portion of the Slice product.

The Slice product consists of a Slice share of BPA's Federal Base System generation. Under the contract, the Board's initial Slice percentage share is 1.81%. The amount of actual power received under the Slice product will vary with seasonal water year conditions, the performance of the Columbia Generating Station (CGS) nuclear plant and the performance and availability of all other Federal Base System resources. In years of heavy water flow and lack of overall storage in the Federal System, the Board may have rights to power in excess of their needs, and in low water years the Board would need to augment its share of Slice output with its own generation, market purchases, or storage releases from EWEB's share of Slice storage.

The second BPA product purchased is the Block, which provides a fixed hourly amount for a given month, and varies by month. The value of the Block product is the certainty of a fixed volume of energy, shaped to monthly load requirement, and the monthly predictability of prices for the known quantity of power.

The annual amount of power the Board is entitled to under this contract is based on the actual weather adjusted load during the period between October 1, 2009 and September 30, 2010, with some adjustments specified in BPA's tiered rate methodology, is approximately 250 aMW.

BPA Transmission Contract – In 2001, the Board signed the Network Integration Transmission Service contract with BPA to provide transmission for the Board's generation projects and BPA power to serve EWEB's load. The current contract term extends through September 30, 2028. EWEB has firm roll-over rights with this contract.

EWEB-owned resources

Carmen-Smith Hydroelectric Project – EWEB owns and operates the Carmen-Smith Hydroelectric Project (Carmen-Smith Project) within the McKenzie River basin. The Carmen-Smith Project includes the Carmen Powerhouse with two generating units with a nameplate capacity of 52 MW each. The Carmen-Smith Project also includes the Trail Bridge re-regulating facility, with an additional generating unit with a nameplate capacity of 10 MW.

Note 16 – Power Supply Resources (continued)

A new 40-year federal operating license for the Carmen-Smith Project was issued on May 17, 2019. The license, which includes requirements for fish, wildlife, vegetation, water quality, land and road management and recreation enhancements, is supplemented by a Settlement Agreement that was filed with FERC in November 2016. Of note, EWEB will be modifying the Carmen-Smith Project for fish passage at Trail Bridge Dam. When complete, the Trail Bridge Powerhouse will transition from a re-regulating generation facility to the low-level outlet from Trail Bridge Reservoir. In addition, the Board is refurbishing the power plant to perform over the life of the new license.

International Paper Industrial Energy Center Cogeneration Project – The Board and International Paper Company jointly operate a cogeneration facility at the International Paper Springfield plant. The unit, which has a nameplate capacity of 25.4 MW (average output is approximately 20 aMW), is owned by the Board, with International Paper providing operation support and fuel. Under terms of the current agreement (which expires in September 2023), the project costs and output for this unit are shared equally by the parties.

Leaburg Walterville Hydroelectric Project – The Board owns and operates the Leaburg Walterville Hydroelectric Project (L-W Project) on the McKenzie River in Lane County, Oregon. The L-W Project is comprised of two run-of-river facilities located at different points on the McKenzie River. The Leaburg facility includes a diversion dam on the McKenzie River, a canal and two generating units with a combined nameplate capacity of 15.9 MW. See note 21 – Temporary Impairment for additional information. The Walterville facility includes a canal diverting water from the McKenzie River and one generating unit with a nameplate capacity of 8 MW. In April 2000, FERC granted the Board a new hydroelectric license for the L-W Project. The license is for a term of 40 years.

Stone Creek Hydroelectric Project – The Stone Creek Project has one turbine with a peak capacity of 12 MW. The facility is on the Clackamas River approximately 45 miles southeast of Portland. The project is a run-of-the-river development located between two hydroelectric facilities that are owned and operated by Portland General Electric (PGE). The Stone Creek facility is operated and maintained for EWEB by Energy Northwest and is licensed through August 2039.

Jointly-owned resources

Foote Creek I Wind Project – The Board and PacifiCorp were the joint owners of the Foote Creek I Wind Project with the Board having a 21.21% ownership, which translates to 8.8 MW of the project capacity. The project is located along the Foote Creek Rim in Carbon County, Wyoming. EWEB has sold 26% or 2.3 MW of its share to BPA under terms of a 25 year power purchase agreement, pursuant to which BPA has committed to purchase 15.3 MW of the Project's total capacity. Net of sales to BPA, the Board received approximately 2.5 aMW per year from the Foote Creek I Project. EWEB sold its interest in the project in June of 2019.

Harvest Wind Project – The Board, Cowlitz PUD, Lakeview Light and Power, and Peninsula Light Company are the joint owners of the Harvest Wind Project, with the Board having a 20% ownership share. The project has a nameplate capacity of 98.9 MW and is located in Klickitat County, Washington. All project assets are held by a corporation formed by the owners. The Board and other owners have committed to purchase power from the corporation in proportion to their ownership shares through December 2029.

Note 16 – Power Supply Resources (continued)

Western Generation Agency – The Board and Clatskanie People's Utility District (CPUD) equally govern the Western Generation Agency, which owns a 36 MW nameplate cogeneration project at the Georgia Pacific mill in Wauna, Oregon. The generation facility includes a steam turbine and a fluidized bed boiler. EWEB and CPUD each purchase 50% of the output. The power purchase agreement will expire April 6, 2021, the effective date of a WGA Agreement to sell the project to Georgia Pacific. See note 22 – Subsequent Events for more information.

Contract resources

Stateline Wind Project – In 2002, the Board agreed to purchase 25 MW from Phase 1 of the Stateline Wind Project located in Walla Walla County, Washington and Umatilla County, Oregon. The project consists of 454 wind turbines with a total project nameplate capacity of 300 MW. The contract for this power expires on December 31, 2026.

Klondike III Wind Project – In 2006, the Board agreed to purchase 25 MW from Phase 3 of the Klondike Wind project located near the town of Wasco in Sherman County, Oregon. The project consists of 125 wind turbines with a total nameplate capacity of 224 MW. The contract for this power expires on October 31, 2027.

Seneca Sustainable Energy – In 2010, the Board entered into a Renewable Power Purchase Agreement with Seneca Sustainable Energy LLC to purchase the total output of the biomass fueled electric cogeneration facility located in Eugene, Oregon. Nameplate capacity is 19.8 MW. Expected average output is approximately 14 aMW. The contract for this power expires on April 5, 2026.

Priest Rapids and Wanapum Hydroelectric Projects – The Board purchases power from the Priest Rapids Project composed of the Priest Rapids Dam and the Wanapum Dam, two large hydroelectric developments on the Columbia River in Washington owned by Public Utility District No. 2 of Grant County, Washington (Grant County PUD). Under this contract, EWEB's share of purchased physical power from Grant County PUD is 0.14% of the project output or about 1.4 aMW per year. The contract for this power continues through March 31, 2052.

Smith Creek Hydroelectric Project – The Smith Creek project is a run-of-the-river hydroelectric project on Smith Creek, a tributary of the Kootenai River in Northern Idaho. It is comprised of three units with a combined nameplate capacity of 38.3 MW. The Board sold this project for $22.3 million in May of 2016, entering into a three year power purchase agreement with the new owner. The contract for this power expired on June 30, 2019.

Note 16 – Power Supply Resources (continued)

Energy Northwest – Energy Northwest is a Washington municipal corporation, engaged in the construction of five nuclear generation facilities (Projects Nos. 1,2,3,4 and 5), of which EWEB purchased a 0.061 percent share of Project No 1. The Board is not a member of Energy Northwest. EWEB, Energy Northwest, and Bonneville entered into a separate Net Billing Agreement, under which EWEB purchased from Energy Northwest, and in turn, assigned to Bonneville, EWEB's share of the capability. Construction of Project No 1 was terminated in 1994. However, under the Net Billing Agreement, Bonneville is responsible for EWEB's percentage share of the total annual cost of Projects No 1, including debt service on revenue bonds issued to finance the cost of construction, whether or not the Project was completed. This has resulted in zero payments by, or credits to EWEB under the Net Billing Agreement. In the event that Bonneville fails to make a payment, or the parties terminate the agreement to directly pay, the original obligations of the Net Billing Agreements would resume. Bonneville has always met all of its obligations to Energy Northwest.

Solar PV Purchases – EWEB supports the development of Solar PV generation in Eugene through the provision of net metering rates to those customers with small systems that wish to self-generate power and renewable generation rates for customers with larger systems. To date, EWEB's Net Metered program has a total installed capacity of slightly over 6.0 MW and 0.69 aMW of energy and direct generation contracts with a total capacity of just over 2.8 MW and 0.32 aMW of energy.

Note 17 – Retirement Benefits

1. Pension Plan

Plan description – Board employees are provided with pensions through OPERS. It is a cost sharing multiple-employer defined benefit pension plan. All Board employees are eligible to participate in OPERS after six months of employment. Oregon PERS, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained from the OPERS website, www.oregon.gov/pers.

Description of Benefit Terms – All benefits of the OPERS are established by the legislature pursuant to ORS Chapters 238 and 238A.

- **Tier One/Tier Two Retirement Benefit (Chapter 238)** Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

  Pension benefits – The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. Retirement benefits are determined as 1.67 percent of the employee's final average salary times the employee's years of retirement credit. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

Note 17 – Retirement Benefits (continued)

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with the Board. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60.

Death benefits – Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability benefits – A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit changes after retirement – Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

- **OPSRP Pension Program Pension Benefits**

Pension benefits – The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003.

Note 17 – Retirement Benefits (continued)

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death benefits – Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability benefits – A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member’s salary determined as of the last full month of employment before the disability occurred.

Benefit changes after retirement – Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first $60,000 of annual benefit and 0.15 percent on annual benefits above $60,000.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Effective in 2017, the Board elected to join the State & Local Government Rate Pool (SLGRP) rather than continue as an independent employer. The Board made a one-time contribution of $32.6 million in 2018 to cover the transition liability associated with joining the pool. The transition liability was the estimated amount needed to achieve rate equity with other members of the pool. During 2019, the Board made a lump-sum contribution of $22 million to qualify for a matching contribution from the Oregon Employer Incentive Fund of $5.5 million. The decreased employer contribution rates effective November 1, 2019 include the impact of these contributions.

Note 17 – Retirement Benefits (continued)

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2017. Employer contribution rates changed during 2019, based on the December 31, 2017 actuarial valuation. The state of Oregon and certain schools, community colleges, and political subdivisions have made lump sum payments to establish side accounts, and their rates have been reduced. The Board has elected to make lump-sum payments to OPERS during 2019, 2007, and 2001, which has had the effect of lowering the employer contribution rate. The Board's contribution rates effective July 1, 2017 were 27.51% for Tier One/Tier Two members and 21.33% for OPSRP General service members. The Board's contribution rates effective July 1, 2019 were 30.5% for Tier One/Tier Two members and 24.94% for OPSRP General service members. Effective November 1, 2019 following a side-account deposit, employer contribution rates dropped to 19.35% for Tier One/Tier Two members and 13.79% for OPSRP. Employer contributions based on payroll for the year ended December 31, 2020 were $6.9 million ($9.2 million in 2019).

Pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions

At December 31, 2020, the Board reported a net pension liability of $75.4 million for its proportionate share of the OPERS net pension liability ($77.0 million in 2019). The net pension liability was measured as of June 30, 2020 and the total pension liability for each plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2020 using standard update procedures. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the plan relative to the projected contributions for all participating employers, actuarially determined. The Board's proportionate share of the net pension liability as of June 30, 2020 was 0.34552008%.

For the year ended December 31, 2020, the Board's proportionate share of system pension expense was $17.2 million ($19.7 million in 2019). The Board has elected to use regulatory accounting to recognize pension expense in conjunction with the required employer contribution rates. Accordingly, the Board recognized pension expense related to Tier One/Tier Two and OPSRP of $6.9 million ($9.2 million in 2019.

Note 17 – Retirement Benefits (continued)

The Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ 8,866,574	$ -
Differences between expected and actual experience	3,318,704	-
Changes in assumptions	4,046,714	141,788
Changes in employer proportion	-	25,845,330
Differences between employer contributions and proportionate share of contributions	23,750,147	-
Pension contributions subsequent to measurement date	3,579,094	-
	$ 43,561,233	$ 25,987,118

	December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ -	$ 2,183,782
Differences between expected and actual experience	4,248,095	-
Changes in assumptions	10,450,287	-
Changes in employer proportion	-	20,561,925
Differences between employer contributions and proportionate share of contributions	4,323,512	-
Pension contributions subsequent to measurement date	31,268,092	-
	$ 50,289,986	$ 22,745,707

$3.6 million reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021 ($31.2 million as of December 31, 2020).

Note 17 – Retirement Benefits (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are to be amortized as pension debits and pension credits as follows:

Fiscal Year	Net Difference Between Projected and Actual Earnings on Investments	Differences Between Expected and Actual Experience	Changes of Assumptions (Deferred Inflows of Resources)	Changes of Assumptions (Deferred Outflows of Resources)	Changes in Proportion	Difference Between Employer Contributions and Proportionate Share of Contributions
2021	$ (1,796,069)	$ 1,287,664	$ (32,974)	$ 2,027,383	$ (8,305,421)	$ 6,080,088
2022	2,793,176	928,475	(32,974)	2,027,383	(7,117,865)	5,763,173
2023	4,732,762	774,992	(32,974)	(14,063)	(6,206,619)	5,478,476
2024	3,136,705	279,857	(32,974)	(24,232)	(3,396,906)	4,971,575
2025	-	47,716	(9,892)	30,243	(818,519)	1,456,835
	$ 8,866,574	$ 3,318,704	$ (141,788)	$ 4,046,714	$ (25,845,330)	$ 23,750,147

Actuarial methods and assumptions used in developing the total pension liability

The total pension liability in the December 31, 2018 actuarial valuations were determined using the following actuarial assumptions.

Valuation date	December 31, 2018
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.20%
Inflation	2.50%
Payroll growth	3.50%
Projected salary increase	3.50%
Investment rate of return	7.20%

Mortality rates for healthy retirees and beneficiaries were based on the Pub-2010 sex-distinct tables, as appropriate. Mortality rates for active members are a percentage of healthy retiree rates that vary by group, as described in the valuation. For disabled retirees, mortality rates are based on the Pub-2010 generational disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

Note 17 – Retirement Benefits (continued)

Discount rate
The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term expected rate of return
To develop an analytical basis for the selection of the long-term expected rate of return assumption, the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption.

Note 17 – Retirement Benefits (continued)

These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	9.60%	4.07%
Short-Term Bonds	9.60%	3.68%
Bank/Leveraged Loans	3.60%	5.19%
High Yield Bonds	1.20%	5.74%
Large/Mid Cap US Equities	16.17%	6.30%
Small Cap US Equities	1.35%	6.68%
Micro Cap US Equities	1.35%	6.79%
Developed Foreign Equities	13.48%	6.91%
Emerging Market Equities	4.24%	7.69%
Non-US Small Cap Equities	1.93%	7.25%
Private Equity	17.50%	8.33%
Real Estate (Property)	10.00%	5.55%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds – Diversified	1.50%	4.06%
Hedge Fund – Event-Driven	0.38%	5.59%
Timber	1.13%	5.61%
Farmland	1.13%	6.12%
Infrastructure	2.25%	6.67%
Commodities	1.13%	3.79%
Assumed Inflation – Mean		2.50%

Sensitivity of Net Pension Liability to Changes in the Discount Rate (in Millions) As of June 30, 2020:

Employers' Net Pension Liability	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Defined Benefit Pension Plan	$ 111,969,237	$ 75,404,366	$ 44,743,123

Pension plan fiduciary net position
Detailed information about each pension plan’s fiduciary net position is available in the separately issued OPERS financial reports.

Payable to the pension plan
The Board had no contributions payable to the pension plan for the year ended December 31, 2020.

Note 17 – Retirement Benefits (continued)

Changes in plan provisions during the measurement period
There were no changes in plan provisions during the measurement period.

Changes in plan provisions subsequent to the measurement period
There were no changes in plan provision subsequent to the measurement period.

Defined contribution pension – OPSRP Individual Account Program (OPSRP IAP)
Pension benefits – Participants in the OPERS defined benefit pension plan also participate in the OPERS defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump- sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

Death benefits – Upon the death of a non-retired member, the beneficiary receives in a lump sum the member’s account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping – PERS contracts with VOYA Financial to maintain IAP participant records.

Contributions – Covered employees are required to contribute 6% of their salary to the plan. The Board has chosen to pay the employees’ contributions to the plan. For 2020, the Board contributed $2.7 million for employees ($2.6 million for 2019).

Changes in plan provisions during the measurement period
There were no changes in plan provision during the measurement period.

Changes in plan provisions subsequent to the measurement period
Under Senate Bill 1049, as of July 1, 2020 a portion of the employees’ contributions to the IAP are being redirected to fund the defined benefit pension. Contributions to the IAP were 6% of salaries. For Tier 1/Tier 2 employees the contributions are now 3.5% IAP and 2.5% defined benefit. For OPSRP employees, the contributions are 5.25% IAP and .75% has been redirected to the defined benefit pension.

2. Postemployment Benefits Plan Other than Pensions

Eugene Water & Electric Board Retirement Benefits Trust

Summary of significant accounting policies
Basis of accounting – The accrual basis of accounting is used; plan member contributions are recognized when they are due, benefit expenses and refunds are recognized when they are due and payable. Employer contributions are recognized only when they are due and accompanied by a formal commitment from the employer to pay them. Changes in the fair value of investments are recognized as increases or decreases to income.

Investment values – Investments are measured at fair value as provided by the Corporate Co-Trustee using recognized pricing services. Purchases and sales are recognized on a trade-date basis. Investment income is recognized as it is earned.

Plan description
The Board provides postemployment health care and life insurance benefits to certain employees who retire under OPERS with at least 11 years of service at EWEB. The plan is administered by a board of trustees, acting solely on the authorization of EWEB, as the Eugene Water & Electric Board Retirement Benefits Trust (The Trust). The board of trustees consists of 5 voting members and one commissioner of EWEB who serves as an ex-officio member with no voting power. The plan is a single-employer defined benefits plan. Plan assets are dedicated solely to providing benefits to retirees and their beneficiaries, and plan assets are legally protected from creditors of the Board and the plan's administrators.

The life insurance benefit is a fixed amount of $5,000 per retiree. Health care coverage is provided in the form of a subsidy toward insurance premiums. The subsidy varies with years of service and the benefits offered by the Board at the time of an employee's hire and retirement. Medicare eligible retirees choose from Medicare supplement plans offered through OPERS. The subsidy for Medicare supplement coverage is established by the Board; however, the coverage is administered by OPERS as a cost sharing plan. Eligible retirees under the age of 65 receive coverage under the group plan the Board offers to its active employees, until such time as retirees reach Medicare eligibility. Those group benefit provisions are established by the Board, and coverage is generally 80% of eligible medical costs. Dental and/or vision benefits are offered in a retiree group plan for retirees with earlier hire and retirement dates.

During 2016 and 2017, the Board changed plan provisions for active employees hired on or after January 1, 2003. At retirement, those employees will not receive a subsidy toward health care coverage. Employees retiring before age 65 continue to have access to EWEB healthcare insurance offered to the active employees; however, the retirees pay the insurance premiums in full. This access to coverage before age 65 is also required by Oregon law.

The obligation for payment of insured benefits rests with the insurance companies providing coverage. The Board does not guarantee benefits in the event of an insurance company's insolvency.

Note 17 – Retirement Benefits (continued)

Plan membership
Enrolling in health care coverage is at the time of retirement. Therefore, there are no inactive plan members entitled to but not yet receiving benefits. Once a retiree opts out of coverage, there is no reinstatement. The plan's latest actuarial valuation dated August 31, 2019, rolled forward to December 31, 2019 and December 31, 2020 included 531 retirees or surviving spouses of retired employees, of which 115 opted out of health care coverage, and 455 active employees.

Investments
The Trust has a third-party investment manager who has discretionary investment authority within the guidelines of the Trust's investment policy as approved by the board of trustees. The investment policy has a long-term objective of full funding for the plan through capital appreciation and reasonable consistency of earnings and growth. The policy acknowledges ongoing needs for liquidity to pay benefits and diversification of investments to minimize capital erosion. The Trust's adopted asset allocation as of July 31, 2019 has targets of 40% fixed income, 55% equities and 5% real estate.

For the years ended December 31, 2020 and 2019, the annual money-weighted rate of return on investments, net of investment expense, was 14.0% and 19.8%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

The fixed income portfolio of the Trust is to be diversified with respect to average maturity, duration, and credit quality.

Credit ratings and maturities at December 31, 2020 were as follows:

			Maturity				
Investment Type	Credit Rating	Fair Value	12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 60 Months	More Than 60 months
Corporate bonds	AA	$ 153,196	$ -	$ 153,196	$ -	$ -	$ -
Corporate bonds	A+	150,098	-	150,098	-	-	-
Total		$ 303,294	$ -	$ 303,294	$ -	$ -	$ -

Credit ratings and maturities at December 31, 2019 were as follows:

			Maturity				
Investment Type	Credit Rating	Fair Value	12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 60 Months	More Than 60 months
Corporate bonds	AA	$ 153,260	$ -	$ -	$ 153,260	$ -	$ -
Corporate bonds	AA-	154,245	-	-	154,245	-	-
Corporate bonds	A	76,517	-	76,517	-	-	-
Total		$ 384,022	$ -	$ 76,517	$ 307,505	$ -	$ -

Note 17 – Retirement Benefits (continued)

Custodial credit risk – Custodial credit risk for investments is the risk that in the event of the counterparty's failure, the Trust would not be able to recover the value of its investments that are in the possession of an outside party. Investments of the Trust are book entry securities held by the Corporate Co-Trustee who is both the investment manager and custodial trustee. Investments are held in a trust account under the name of the Corporate Co-Trustee, however, custodial credit risk is avoided because the custodian's internal records identify the Trust as the owner of the securities.

Bank trust accounts, being neither depository nor brokerage accounts are not insured.

Fair value measurements – Fair values are the estimated prices that would be received to sell these investments in their principal market. Level 1 inputs showing a quoted market price for an identical asset in an active market provides the most reliable evidence of fair value. Level 2 inputs are quoted prices for similar assets in active markets. Level 3 inputs, which is the last category, and doesn't apply to the investments held at December 31, 2020 and 2019 for the OPEB Trust, would include valuation techniques which make use of unobservable inputs using the best information available under the circumstances.

Note 17 – Retirement Benefits (continued)

	12/31/2020	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Significant Other Observable Inputs (Level 2)
Investments by fair value level			
Corporate bonds			
Domestic	$ 303,294	$ -	$ 303,294
Mutual funds			
Fixed income	7,415,912	7,415,912	-
International	3,871,565	3,871,565	-
Domestic	7,296,886	7,296,886	-
Real estate	977,309	977,309	-
Total investments by fair value level	$ 19,864,966	$ 19,561,672	$ 303,294

	12/31/2019	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Significant Other Observable Inputs (Level 2)
Investments by fair value level			
Corporate bonds			
Domestic	$ 385,019	$ -	$ 385,019
Mutual funds			
Fixed income	7,081,247	7,081,247	-
International	4,248,903	4,248,903	-
Domestic	6,365,091	6,365,091	-
Real estate	975,639	975,639	-
Total investments by fair value level	$ 19,055,899	$ 18,670,880	$ 385,019

Contributions

Contributions toward health care premiums required from retirees are established in the plan and may be amended by the Board. Contributions from participating retirees are either a flat rate or a percentage of premium costs and vary by participant according to the benefits in place when the participant was hired and/or retired. The Board's subsidies toward premiums are capped for the more recent retirees. The cap is expressed as a percentage of the Board's share of premium increases each year compared to premiums beginning in a base year of 2003. The cap was 6% beginning in 2017 and is to remain that amount each year thereafter.

Note 17 – Retirement Benefits (continued)

During 2020, the plan recognized $740,000 in contributions from retirees who had insurance coverage under the Board’s group plan for active employees ($717,000 during 2019). The contributions are applied to insurance premiums. Retirees with Medicare Supplement coverage also pay a portion of their premiums, however, those contributions are recognized by the OPERS OPEB plan.

Funding

It is the Board’s intent to pay the actuarially determined contribution (ADC) to the trust annually.

The ADC was approximately $214,000 and $501,000 for years 2020 and 2019 respectively. The Board contributed $462,000 in 2020 and $501,000 during 2019. Contributions were recognized in administrative and general expenses: $351,120 for the Electric System and $110,880 for the Water System in 2020 ($381,000 for the Electric System and $120,000 for the Water System in 2019). The expenses differ from the Board’s OPEB expense determined on an actuarial basis, which was $3.3 million for 2020 ($3.9 million for 2019). The Board has elected to apply regulatory accounting to recognize OPEB expense based on the timing and amount of contributions included in the rate making process.

Components of the actuarially determined OPEB expense are shown below:

	2020	2019
Service cost	$ 240,509	$ 235,056
Interest cost	1,268,479	1,468,903
Expected earnings	(1,202,976)	(1,086,400)
Administrative earnings	141,482	132,931
Change in benefits	-	-
Recognition of deferred outflows	5,033,637	3,568,730
Recognition of deferred inflows	(2,192,929)	(452,859)
	$ 3,288,202	$ 3,866,361

Note 17 – Retirement Benefits (continued)

The Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	December 31, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,768,969
Changes of assumptions	3,689,992	-
Net difference between projected and actual earnings on OPEB plan investments	-	2,785,146
Total	$ 3,689,992	$ 4,554,115

	December 31, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,011,179
Changes of assumptions	7,258,722	-
Net difference between projected and actual earnings on OPEB plan investments	-	895,147
Total	$ 7,258,722	$ 3,906,326

Amounts recorded as deferred inflows and outflows of resources will be subject to amortization and regulatory deferral in future years as follows:

	Net Deferred Outflows/ (Inflows) Amortization
2021	$ 2,118,904
2022	(1,181,049)
2023	(1,526,819)
2024	(275,159)
2025	-
	$ (864,123)

Note 17 – Retirement Benefits (continued)

Net OPEB liability

Components of the net OPEB liability and funded percentage are below:

	December 31, 2020	December 31, 2019
Total OPEB liability	$ 33,594,237	$ 34,905,996
Plan fiduciary net position	(20,031,471)	(19,250,423)
EWEB's net OPEB liability	$ 13,562,766	$ 15,655,573
Plan fiduciary net position as a percentage of the total OPEB liability	60%	55%

Changes in the net OPEB liability

The Board's total net OPEB liability of $13.6 million was measured as of December 31, 2020.

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Beginning of year 1/1/2020	$ 34,905,996	$ (19,250,423)	$ 15,655,573
Employer contributions	-	(462,000)	(462,000)
Retiree contributions	(740,292)	740,292	-
Expected investment income	-	(1,202,976)	(1,202,976)
Difference between expected and actual investment income	-	(1,375,811)	(1,375,811)
Benefit payments – implicit	(702,490)		(702,490)
Benefit payments	(1,377,965)	1,377,965	-
Administrative and trust expenses		141,482	141,482
Service cost	240,509	-	240,509
Interest on total OPEB liability	1,268,479	-	1,268,479
Changes of assumptions	-	-	-
Difference between expected and actual experience	-	-	-
End of year 12/31/20	$ 33,594,237	$ (20,031,471)	$ 13,562,766

Note 17 – Retirement Benefits (continued)

The Board's total net OPEB liability of $15.7 million was measured as of December 31, 2019

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Beginning of year 1/1/2019	$ 40,505,496	$ (17,171,138)	$ 23,334,358
Employer contributions	-	(1,137,500)	(1,137,500)
Retiree contributions	(716,560)	716,560	-
Expected investment income	-	(1,086,400)	(1,086,400)
Difference between expected and actual investment income	-	(2,193,964)	(2,193,964)
Benefit payments – implicit	(672,219)	-	(672,219)
Benefit payments	(1,489,088)	1,489,088	-
Administrative and trust expenses	-	132,931	132,931
Service cost	235,056	-	235,056
Interest on total OPEB liability	1,468,903	-	1,468,903
Changes of assumptions	1,723,170	-	1,723,170
Difference between expected and actual experience	(6,148,762)	-	(6,148,762)
End of year 12/31/19	$ 34,905,996	$ (19,250,423)	$ 15,655,573

Actuarial assumptions

The total OPEB liability as of December 31, 2020 and December 31, 2019 was determined using the following significant actuarial assumptions and inputs:

Discount rate	3.76%
Inflation rate	2.50%
Salary increases	3.50%
Health care cost trend rates	3.00%–7.00%

Mortality rates used are the same as those used in the December 31, 2019 Oregon PERS Actuarial Valuation and are based on the Pub-2010 tables.

Retirement and termination rates are based on an experience study covering data from 2010 through 2014.

The discount rate used to measure the total OPEB liability was 3.76%. Based on an expected 6.53% long-term rate of return on plan assets, the fiduciary net position was projected to be available to make projected OPEB payments for plan participants through 2034. Therefore, the expected long-term rate of return is blended with the December 31, 2019 rate of 2.74% from the 20-year General Obligation Municipal Bond Index as published by the Bond Buyer.

Note 17 – Retirement Benefits (continued)

The long-term expected rate of return on the Trust's investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage, and by adding expected inflation. The asset allocation estimates of arithmetic real rates of return for each asset class are summarized below:

Fund Type	% of Total Portfolio	Expected Long-Term Real Rate of Return
Domestic equity	33%	5.9%
Foreign equity	22%	6.3%
Fixed income	39%	1.5%
Real estate	5%	5.4%
3-month Treasury bills	1%	-0.9%
	100%	

The following table presents the sensitivity of the net OPEB liability to changes in the discount rate, assuming the current rate, and rates that are one percentage point lower, and one percentage point higher than the current rate as of December 31, 2020:

	1% Decrease (2.76%)	Current Rate (3.76%)	1% Increase (4.76%)
Total OPEB liability	$ 38,190,888	$ 33,594,237	$ 30,642,862
Fiduciary net position	(20,031,471)	(20,031,471)	(20,031,471)
Net OPEB liability	$ 18,159,417	$ 13,562,766	$ 10,611,391

The following presents the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates assuming the current rate, rates that are one percentage point lower, and one percentage point higher than the current rate:

	1% Decrease	Current Rates	1% Increase
Total OPEB liability	$ 30,345,763	$ 33,594,237	$ 38,500,250
Fiduciary net position	(20,031,471)	(20,031,471)	(20,031,471)
Net OPEB liability	$ 10,314,292	$ 13,562,766	$ 18,468,779

Note 17 – Retirement Benefits (continued)

The actuarial funding method used to determine the plan cost is the entry age normal cost method. Under this method the actuarial present value of the projected benefits of each active employee included in the valuation is allocated on a level percentage of pay basis over the service life of the employee between entry age (date of hire) and assumed exit age.

Note 18 – Deferred Compensation

The Board offers all employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits them to defer a portion of their salary until future years. Participation in the plan is optional. Payment from the plan is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Board works with separate investment providers who also provide third-party administration for all deferred compensation program funds. Participating employees have several investment options with varying degrees of market risk. The Board has no liability for losses under the plan.

The Board has little administrative involvement with the plan and does not perform the investing function. Therefore, in accordance with GAAP, the plan assets are not included in the accompanying Statements of Net Position.

Note 19 – Trojan Nuclear Plant

The Trojan Nuclear Plant (Project) is jointly owned by Portland General Electric Company (PGE), 67.5%; the City of Eugene, acting by and through Eugene Water & Electric Board, 30%; and Pacific Power and Light Company, 2.5%; as tenants in common. The Project ceased commercial operation in 1993 and is decommissioned. The Project is now classified as an Independent Spent Fuel Storage Installation. In accordance with GASB No. 14, *The Financial Reporting Entity*, the Project is reported as a joint venture on the equity method of accounting.

Under the terms of the Net Billing Agreements, executed in 1970, BPA is obligated to pay the Board amounts sufficient to pay all of the Board’s costs related to the Project including decommissioning and debt service, notwithstanding the termination of plant output. BPA pays those costs primarily by issuing credits against the Net Billing Participant’s purchases of electricity from BPA, but in some cases also makes payments in cash. The Board is required to transfer from its Electric System Fund to the Trojan Project Fund an amount equal to all net billing credits received through this agreement. The Board is then responsible for making payments from the Trojan Project Fund to the Trojan Project for the Board’s share of costs.

Note 19 – Trojan Nuclear Plant (continued)

Since BPA is obligated to pay the Board's share of all Trojan Project costs and has provided the Board with legally binding written assurances of its commitment to that obligation, the Board does not expect the closure and decommissioning of the Trojan Project to have any adverse effect on the Board's Electric or Water Systems. As such, the equity interest in the Project is zero. However, under the terms of the original agreements, if one of the tenants in common fails to perform on their financial obligation, the other tenants may be liable. This obligation may not be covered under the Net Billing Agreement mentioned previously. However, the Board believes this risk is minimal.

A summary of the balance sheets for EWEB's share of the Trojan Project as of September 30, 2020 and September 30, 2019 is as follows.

	Unaudited September 30, 2020	Unaudited September 30, 2019
ASSETS		
Current assets	$ 1,691,918	$ 1,905,206
Long-term receivable, BPA, net	31,895,157	32,655,240
Total assets	$ 33,587,075	$ 34,560,446
LIABILITIES		
Current liabilities	$ 2,004,000	$ 1,873,472
Accumulated provision for decommissioning costs	31,583,075	32,686,974
Total liabilities	$ 33,587,075	$ 34,560,446

The Trojan Nuclear Plant financial statements can be obtained from the Board.

Note 20 – Commitments and Contingencies

Electric Projects

Carmen-Smith Project – Design and construction contracts, primarily for powerhouse upgrades, were $18.8 million. ($17.1 million for powerhouse and substation upgrades, and approximately $1.7 million, primarily for fish passage, trap-and-haul and spillway modifications at December 31, 2019).

The Board has an arrangement with the U.S. Forest Service to provide for maintenance and enhancement measures on the National Forest Service land where the project is located. The Board expects to make annual payments of varying, prescheduled amounts to the Forest Service in accordance with settlement provisions. The payments are to total approximately $1.5 million before inflation indexing over the life of the license.

Note 20 – Commitments and Contingencies (continued)

Water projects

Construction contracts primarily for main replacements and an emergency water station were approximately $618,000 at December 31, 2020 ($131,000 at December 31, 2019 for design of a water quality lab).

Other projects

Contractual commitments for construction at the Roosevelt Operations Center were $121,000, and for advanced metering $2.5 million at December 31, 2020 ($1.2 million for construction at Roosevelt Operations Center, $1.4 million for advanced metering, and $313,000 for software at December 31, 2019).

Self-insurance

The Board is exposed to various risks of loss because of the Board's self-insurance retention, up to the first $2,000,000 of exposure, per occurrence. Excess liability coverage protects the Board after the Board's self-insured limit is exhausted. However, public entities are also protected under State of Oregon tort limits ORS 30.260 – 30.300, *Tort actions against public bodies*, which reduce the liability for any single occurrence for property damage or personal injury. Limits are adjusted for the cost of living annually by the Oregon State Court Administrator. The most recent limits are $126,200 for a single claimant and $630,800 to all claimants for property damage. For injury or death, the most recent limits are $769,200 for a single claimant and $1,538,300 for multiple claimants. Consequently, except in extreme cases, the Board's exposure is mitigated by law. The limit is subject to change by State of Oregon legislation.

Claims liabilities recorded in the financial statements are based on the estimated ultimate loss as of the statement of net position date, adjusted from current trends through a case-by-case review of all claims, including incurred but not reported claims. Non-incremental claims adjustment costs such as salaries are not included in the claims estimates. At December 31, 2020 a total claims liability of approximately $108,000 is reported in the financial statements. All prior and current-year claim liabilities were fully reserved and have not been discounted.

		Liability Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability Balance at End of Year
2018	General Liability	$ 165,548	$ 146,426	$ (105,119)	$ 206,855
2019	General Liability	$ 206,855	$ 233,291	$ (340,856)	$ 99,290
2020	General Liability	$ 99,290	$ 160,738	$ (151,648)	$ 108,380

Note 20 – Commitments and Contingencies (continued)

Claims and other legal proceedings

EWEB was notified in September 2020 the US Attorney's Office was investigating the origin, cause, and consequences of the Holiday Farm Fire. EWEB has cooperated with the investigation including documentation requests and personnel interviews. At the time of issuance, the latest request for information was made in November 2020. EWEB has received tort claim notices and intends to contest them.

The Board is involved in various litigations. In the opinion of management, the ultimate outcome of these claims will not have a material effect on the Board's financial position beyond amounts already accrued as of December 31, 2020.

Note 21 – Temporary Impairment

The service utility of the Leaburg hydroelectric project has significantly declined. Following increased seepage along the canal, indicative of unstable soils, FERC deemed the canal a public safety risk and ordered the canal to be dewatered in 2018. Without water, the Leaburg generation plant ceased operations. This was unexpected in the life of the project. Seepage along the canal has occurred for decades and because of the regulatory action taken by FERC, the nature of the impairment is judged to be temporary as of December 31, 2020. Initial canal soil studies concluded in 2020 and the Board continues to discuss possible remediation of the canal for storm water conveyance or restoration to power generation. The path forward is uncertain.

In 2020, carrying values for the project's assets were classified as Property held for future use on the Statements of Net Position.

Note 22 – Subsequent Events

On January 5, 2021, Western Generation Agency reached agreement to sell its generation assets to the mill where WGA's generation plant is located, Georgia Pacific in Wauna, Oregon. The sale will occur on April 6, 2021. A corresponding agreement, whereby WGA has covenanted with Georgia Pacific to continue its existence for 18 months after the sale was also executed. During its continued existence, WGA will satisfy its obligations and settle any claims that might arise as specified in the covenant. The owners of WGA, the Board and Clatskanie PUD, will not be purchasing output from the generation plant at Georgia Pacific after the sale.

Required Supplementary Information

Eugene Water & Electric Board
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2020
Last Ten Years*

	2014	2015	2016	2017	2018	2019	2020
Proportion of the net pension asset	0.86138989%	0.79250364%	0.70531024%	0.62730522%	0.59283304%	0.44533405%	0.34552008%
Proportionate share of the net pension asset/(liability)	$ 19,525,251	$ (45,501,290)	$ (105,883,444)	$ (84,560,981)	$ (86,806,397)	$ (77,032,126)	$ (75,404,366)
Covered-employee payroll	$ 41,130,143	$ 45,250,685	$ 44,141,193	$ 44,353,971	$ 39,905,750	$ 43,024,470	$ 44,541,698
Proportionate share of the net pension asset/(liability) as percentage of covered-employee payroll	47%	101%	240%	191%	225%	179%	169%
Plan's fiduciary net position	$ 65,401,492,662	$ 64,923,626,094	$ 62,082,059,102	$ 66,371,703,247	$ 69,327,500,445	$ 70,203,720,619	$ 68,319,296,993
Plan's fiduciary net position as a percentage of the total pension liability	103.60%	91.90%	80.50%	83.10%	82.10%	80.20%	75.80%

*10 year trend information will be presented prospectively.

Eugene Water & Electric Board
Schedule of Contributions
Pension
As of June 30, 2020
Last Ten Years*

	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution (actuarially determined)	$ 9,544,586	$ 9,734,173	$ 8,189,904	$ 8,256,069	$ 9,413,237	$ 7,660,562	$ 7,943,528
Contributions in relation to the actuarially determined contribution	$ 9,544,586	$ 9,734,173	$ 8,189,904	$ 8,256,069	$ 9,413,237	$ 10,662,356	$ 33,680,968
Contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ (3,001,764)	$ (25,737,440)
Covered-employee payroll	$ 41,130,143	$ 45,250,685	$ 44,141,193	$ 44,353,971	$ 39,905,750	$ 43,024,470	$ 44,541,698
Contributions as a percentage of covered-employee payroll	23.21%	21.51%	18.55%	18.61%	23.59%	24.78%	75.62%

Notes to Schedule

Valuation date:

Methods and assumptions used to determine contribution rates:

	2014	2015	2016	2017	2018	2019	2020
Single and agent employers	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Experience study report	2012, published September 18, 2013	2012, published September 18, 2013	2014, published September 23, 2015	2014, published September 23, 2015	2016, published July 26, 2017	2016, published July 26, 2017	2018, published 24-Jul-19
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	Tier one/tier two – 20 year; OPSRP – 16 years	Tier one/tier two – 20 year; OPSRP – 16 years	Tier one/tier two – 20 year; OPSRP – 16 years	Tier one/tier two – 20 year; OPSRP – 16 years	Tier one/tier two – 20 year; OPSRP – 16 years	Tier one/tier two – 20 year; OPSRP – 16 years	Tier one/tier two – 20 year; OPSRP – 16 years
Asset valuation method	Market value of assets	Market value of assets	Market value of assets	Market value of assets	Market value of assets	Fair value	Market value of assets
Inflation	2.75%	2.75%	2.50%	2.50%	2.50%	2.50%	2.50%
Salary increases	3.75%	3.75%	3.50%	3.50%	3.50%	3.50%	3.50%
Investment rate of return	7.75%	7.75%	7.50%	7.50%	7.20%	7.20%	7.20%
Retirement age	55 for Tier 1/Tier 2; 65 for OPSRP	55 for Tier 1/Tier 2; 65 for OPSRP	55 for Tier 1/Tier 2; 65 for OPSRP	55 for Tier 1/Tier 2; 65 for OPSRP	55 for Tier 1/Tier 2; 65 for OPSRP	55 for Tier 1/Tier 2; 65 for OPSRP	55 for Tier 1/Tier 2; 65 for OPSRP
Mortality	RP-2000 Sex-distinct tables	RP-2000 Sex-distinct tables	RP-2000 Sex-distinct tables	RP-2000 Sex-distinct tables	RP-2014 Sex-distinct tables	RP-2014 Sex-distinct tables	Pub-2010 Sex-distinct tables
Discount rate	7.75%	7.75%	7.50%	7.50%	7.20%	7.20%	7.20%

*10 year trend information will be presented prospectively.

Eugene Water & Electric Board
Schedule of Employer Contributions
OPEB
As of December 31, 2020
Last Ten Years*

	2020	2019	2018	2017
Actuarially determined contribution	$ 214,406	$ 501,342	$ 1,284,204	$ 1,348,797
Contributions in relation to the actuarially determined contribution	462,000	1,137,500	3,348,797	980,298
Contribution excess (deficiency)	$ 636,158	$ 636,158	$ 2,064,593	$ (368,499)
Covered-employee payroll	$ 51,560,696	$ 47,799,139	$ 44,880,815	$ 44,353,971
Contributions as a percentage of covered-employee payroll	0.90%	2.38%	7.46%	2.21%

*10 year trend information will be presented prospectively.

Valuation dates: August 31, 2019 and December 31, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization method	10 years
Asset valuation method	Market value
Inflation	2.5%
Healthcare cost trend increases	
OPERS Medicare and Medicare Supplemental RX	5%
Dental	5%
Vision	3%
Vision	3%
Salary increases	3.5%
Retirement age	Based on experience study years 2010–2014
Age 55–58	10%
Age 59–64	15%
Age 65	100%
Withdrawal age	
Age 18–29	6.3%
Age 30–49	4.7%
Age 50–64	3.7%

Methods and assumptions used to determine contribution rates, which varied by year:

Mortality	Pub 2010	RP-2014 General Service
Investment rate of return	3.76%	4.32%

Healthcare cost trend increases

EWEB group medical, December 31, 2017 valuation: 10%, decreasing to ultimate rate of 4% by 2025.

EWEB group medical, December 31, 2019 valuation: 7%, decreasing to ultimate rate of 4% by 2027.

Eugene Water & Electric Board
Schedule of Changes in Total OPEB Liability and Related Ratios
OPEB
As of December 31, 2020
Last Ten Years*

	Total OPEB Liability			
	2020	2019	2018	2017
Service cost	$ 240,509	$ 235,056	$ 279,685	$ 270,227
Interest	1,268,479	1,468,903	1,747,818	977,047
Changes in benefit terms	-	-	-	(263,950)
Differences between expected and actual experience	-	(6,148,762)	-	4,969,184
Changes in assumptions	-	1,723,170	-	15,538,406
Benefit payments	(2,820,747)	(2,877,867)	(3,402,142)	(3,280,201)
Net change in OPEB liability	(1,311,759)	(5,599,500)	(1,374,639)	18,210,713
Total OPEB liability – beginning	34,905,996	40,505,496	41,880,135	23,669,422
Total OPEB liability – ending	$ 33,594,237	$ 34,905,996	$ 40,505,496	$ 41,880,135

	Plan Fiduciary Net Position			
	2020	2019	2018	2017
Contributions	$ (462,000)	$ (1,137,500)	$ (3,348,797)	$ (980,298)
Contributions from plan members – EWEB group insurance	(740,292)	(716,560)	(775,345)	(740,089)
Net investment income	(2,527,084)	(3,280,364)	952,424	(2,204,942)
Benefit payments	2,858,549	2,922,208	3,361,962	3,385,729
Administrative expense	89,779	132,931	88,919	81,076
Net change in plan fiduciary net position	(781,048)	(2,079,285)	279,163	(458,524)
Plan fiduciary net position – beginning	(19,250,423)	(17,171,138)	(17,450,301)	(16,991,777)
Plan fiduciary net position – ending	$ (20,031,471)	$ (19,250,423)	$ (17,171,138)	$ (17,450,301)
Net OPEB liability	$ 13,562,766	$ 15,655,573	$ 23,334,358	$ 24,429,834
Plan fiduciary net position as a percentage of the total OPEB liability	59.6%	55.1%	42.4%	41.7
Covered-employee payroll	$ 51,560,696	$ 47,799,139	$ 44,880,815	$ 44,353,971
Net OPEB liability as a percentage of covered payroll	26.3%	32.8%	52.0%	55.1

*10 year trend information will be presented prospectively.

Notes to schedule:

Benefit changes: During 2016 and 2017, the subsidy for employees hired on or after January 1, 2003 was discontinued.

Changes in assumptions: For the valuation dated December 31, 2017: The discount rate decreased from 6% to 4.32%. Health care cost trend increases for the Oregon PERS Medicare plans and EWEB supplemental Rx plans went up from 4% to 5%. The mortality table, RP-2000, projected to 2016 using Scale AA, was replaced with RP-2014.

For the August 31, 2019 valuation: The expected long-term rate of return was decreased from 7% to 6.53%; blended with the 20-year General Obligation Municipal Bond Index rate of 2.74% as of December 31, 2019, the investment and discount rate decreased from 4.32% to 3.76%.

Eugene Water & Electric Board
Schedule of Investment Returns
OPEB Trust
As of December 31, 2020
Last Ten Years*

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	14.0%	19.8%	-5.6%	14.1%

*10 year trend information will be presented prospectively.

Supplementary Information

Eugene Water & Electric Board
Electric System
Long-Term Bonded Debt and Interest Payment Requirements, Including Current Portion
Year Ended December 31, 2020

	Revenue Refunding 2011 B Series 6-29-11		Revenue and Revenue Refunding 2012 Series 8-1-12		Revenue Refunding 2016 A Series 9-7-16		Revenue and Revenue Refunding 2016 B Series 9-7-16	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 915,000	$ 120,983	$ 485,000	$ 654,719	$ 1,215,000	$ 4,073,550	$ 4,130,000	$ 151,604
2022	945,000	83,010	515,000	635,319	2,345,000	4,024,950	4,455,000	81,972
2023	985,000	42,848	1,810,000	609,569	6,300,000	3,931,150	-	-
2024	-	-	1,040,000	537,169	6,625,000	3,616,150	-	-
2025	-	-	-	495,569	6,875,000	3,284,900	-	-
2026	-	-	-	495,569	6,675,000	2,941,150	-	-
2027	-	-	-	495,569	6,000,000	2,607,400	-	-
2028	-	-	-	495,569	6,400,000	2,307,400	-	-
2029	-	-	1,315,000	495,569	6,615,000	1,987,400	-	-
2030	-	-	1,360,000	454,475	6,945,000	1,656,650	-	-
2031	-	-	1,400,000	410,275	7,290,000	1,309,400	-	-
2032	-	-	1,445,000	364,775	6,935,000	1,017,800	-	-
2033	-	-	-	317,813	5,175,000	740,400	-	-
2034	-	-	-	317,813	1,685,000	533,400	-	-
2035	-	-	-	317,813	1,755,000	466,000	-	-
2036	-	-	-	317,813	1,830,000	395,800	-	-
2037	-	-	-	317,813	1,900,000	322,600	-	-
2038	-	-	-	317,813	1,975,000	246,600	-	-
2039	-	-	2,005,000	317,813	2,050,000	167,600	-	-
2040	-	-	2,080,000	242,625	2,140,000	85,600	-	-
2041	-	-	2,155,000	164,625	-	-	-	-
2042	-	-	2,235,000	83,812	-	-	-	-
2043	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-
	2,845,000	246,841	17,845,000	8,859,899	88,730,000	35,715,900	8,585,000	233,576
Less current portion	915,000		485,000		1,215,000		4,130,000	
	$ 1,930,000	$ 246,841	$ 17,360,000	$ 8,859,899	$ 87,515,000	$ 35,715,900	$ 4,455,000	$ 233,576

Eugene Water & Electric Board
Electric System
Long-Term Bonded Debt and Interest Payment Requirements, Including Current Portion
Year Ended December 31, 2020

	Revenue 2017 Series 9-21-17		Revenue 2020 A Series 6-11-20		Revenue 2020 B Series 6-11-20		Total Electric System Payments		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Totals
2021	$ -	$ 1,689,750	$ -	$ 1,516,250	$ -	$ 387,991	$ 6,745,000	$ 8,594,847	$ 15,339,847
2022	-	1,689,750	-	1,516,250	-	387,991	8,260,000	8,419,242	16,679,242
2023	-	1,689,750	-	1,516,250	-	387,991	9,095,000	8,177,558	17,272,558
2024	-	1,689,750	-	1,516,250	315,000	387,991	7,980,000	7,747,310	15,727,310
2025	-	1,689,750	-	1,516,250	1,400,000	383,767	8,275,000	7,370,236	15,645,236
2026	-	1,689,750	-	1,516,250	1,420,000	363,313	8,095,000	7,006,032	15,101,032
2027	945,000	1,689,750	1,085,000	1,516,250	1,445,000	338,945	9,475,000	6,647,914	16,122,914
2028	995,000	1,642,500	1,130,000	1,472,850	1,475,000	312,704	10,000,000	6,231,023	16,231,023
2029	1,045,000	1,592,750	1,175,000	1,427,650	-	283,543	10,150,000	5,786,912	15,936,912
2030	1,095,000	1,540,500	1,225,000	1,380,650	-	283,543	10,625,000	5,315,818	15,940,818
2031	1,150,000	1,485,750	1,270,000	1,331,650	-	283,543	11,110,000	4,820,618	15,930,618
2032	1,205,000	1,428,250	1,325,000	1,280,850	-	283,543	10,910,000	4,375,218	15,285,218
2033	1,270,000	1,368,000	1,375,000	1,227,850	1,680,000	283,543	9,500,000	3,937,606	13,437,606
2034	1,330,000	1,304,500	1,430,000	1,172,850	1,720,000	242,770	6,165,000	3,571,333	9,736,333
2035	1,400,000	1,238,000	1,490,000	1,115,650	1,765,000	199,305	6,410,000	3,336,768	9,746,768
2036	1,465,000	1,168,000	1,550,000	1,056,050	1,810,000	153,821	6,655,000	3,091,484	9,746,484
2037	1,540,000	1,094,750	1,610,000	994,050	1,855,000	105,368	6,905,000	2,834,581	9,739,581
2038	1,620,000	1,017,750	1,675,000	929,650	1,905,000	53,854	7,175,000	2,565,667	9,740,667
2039	1,700,000	936,750	1,725,000	879,400	-	-	7,480,000	2,301,563	9,781,563
2040	1,785,000	851,750	1,775,000	827,650	-	-	7,780,000	2,007,625	9,787,625
2041	1,875,000	762,500	1,830,000	774,400	-	-	5,860,000	1,701,525	7,561,525
2042	1,965,000	668,750	1,900,000	701,200	-	-	6,100,000	1,453,763	7,553,763
2043	2,065,000	570,500	1,980,000	625,200	-	-	4,045,000	1,195,700	5,240,700
2044	2,170,000	467,250	2,060,000	546,000	-	-	4,230,000	1,013,250	5,243,250
2045	2,275,000	358,750	2,140,000	463,600	-	-	4,415,000	822,350	5,237,350
2046	2,390,000	245,000	2,225,000	378,000	-	-	4,615,000	623,000	5,238,000
2047	2,510,000	125,500	2,315,000	289,000	-	-	4,825,000	414,500	5,239,500
2048	-	-	2,405,000	196,400	-	-	2,405,000	196,400	2,601,400
2049	-	-	2,505,000	100,200	-	-	2,505,000	100,200	2,605,200
	33,795,000	31,695,750	39,200,000	29,784,550	16,790,000	5,123,528	207,790,000	111,660,044	319,450,043
Less current portion	-		-		-		6,745,000		6,745,000
	$ 33,795,000	$ 31,695,750	$ 39,200,000	$ 29,784,550	$ 16,790,000	$ 5,123,528	$ 201,045,000	$ 111,660,044	$ 312,705,043

Eugene Water & Electric Board
Water System
Long-Term Bonded Debt and Interest Payment Requirements, Including Current Portion
Year Ended December 31, 2020

	Revenue and Revenue Refunding 2016 Series 5-9-16		Revenue 2020 A Series 6-4-20		Revenue Refunding 2020 B Series 6-4-20		Total Water System Payments		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Totals
2021	$ 1,935,000	$ 1,416,250	$ -	$ 610,050	$ 620,000	$ 345,832	$ 2,555,000	$ 2,372,132	$ 4,927,132
2022	2,030,000	1,319,500	-	610,050	630,000	340,109	2,660,000	2,269,659	4,929,659
2023	1,340,000	1,218,000	415,000	610,050	635,000	333,349	2,390,000	2,161,399	4,551,399
2024	1,415,000	1,151,000	430,000	593,450	645,000	325,602	2,490,000	2,070,052	4,560,052
2025	1,470,000	1,094,400	450,000	576,250	655,000	316,263	2,575,000	1,986,913	4,561,913
2026	1,530,000	1,035,600	465,000	558,250	665,000	305,796	2,660,000	1,899,646	4,559,646
2027	1,610,000	959,100	485,000	539,650	675,000	293,553	2,770,000	1,792,303	4,562,303
2028	1,690,000	878,600	505,000	520,250	685,000	280,451	2,880,000	1,679,301	4,559,301
2029	1,770,000	794,100	525,000	500,050	700,000	265,991	2,995,000	1,560,141	4,555,141
2030	1,860,000	705,600	545,000	479,050	715,000	250,724	3,120,000	1,435,374	4,555,374
2031	1,125,000	631,200	570,000	457,250	735,000	234,772	2,430,000	1,323,222	3,753,222
2032	1,175,000	586,200	590,000	434,450	750,000	217,640	2,515,000	1,238,290	3,753,290
2033	1,225,000	539,200	615,000	410,850	770,000	199,407	2,610,000	1,149,457	3,759,457
2034	1,270,000	490,200	640,000	386,250	790,000	179,918	2,700,000	1,056,368	3,756,368
2035	1,320,000	439,400	660,000	367,050	805,000	159,528	2,785,000	965,978	3,750,978
2036	1,375,000	386,600	675,000	347,250	830,000	138,349	2,880,000	872,199	3,752,199
2037	1,430,000	331,600	700,000	327,000	860,000	112,428	2,990,000	771,028	3,761,028
2038	1,485,000	274,400	720,000	306,000	885,000	85,570	3,090,000	665,970	3,755,970
2039	680,000	215,000	740,000	284,400	910,000	57,932	2,330,000	557,332	2,887,332
2040	710,000	187,800	760,000	262,200	945,000	29,512	2,415,000	479,512	2,894,512
2041	735,000	159,400	785,000	239,400	-	-	1,520,000	398,800	1,918,800
2042	765,000	130,000	810,000	215,850	-	-	1,575,000	345,850	1,920,850
2043	795,000	99,400	835,000	191,550	-	-	1,630,000	290,950	1,920,950
2044	830,000	67,600	860,000	166,500	-	-	1,690,000	234,100	1,924,100
2045	860,000	34,400	885,000	140,700	-	-	1,745,000	175,100	1,920,100
2046	-	-	910,000	114,150	-	-	910,000	114,150	1,024,150
2047	-	-	940,000	86,850	-	-	940,000	86,850	1,026,850
2048	-	-	965,000	58,650	-	-	965,000	58,650	1,023,650
2049	-	-	990,000	29,700	-	-	990,000	29,700	1,019,700
	32,430,000	15,144,550	18,470,000	10,423,150	14,905,000	4,472,726	65,805,000	30,040,426	95,845,426
Less current portion	1,935,000		-		620,000		2,555,000		2,555,000
	$ 30,495,000	$ 15,144,550	$ 18,470,000	$ 10,423,150	$ 14,285,000	$ 4,472,726	$ 63,250,000	$ 30,040,426	$ 93,290,426

Eugene Water & Electric Board
Electric System
Analysis of Certain Restricted Cash and Investments for Bond Service
Year Ended December 31, 2020

	Investments for Bond Principal & Interest	Debt Service Reserve	Construction Funds	Customer & Escrow Deposit Reserve	Total All Funds
Ending balance – December 31, 2019	$ 765	$ 6,638,349	$ 19,465,577	$ 3,785,903	$ 29,890,594
Deposits from general fund	16,110,584	-	46,000,000	243,789	62,354,373
Investment earnings	190	58,344	388,932	(2,480)	444,986
Other transfers	-	-	-	-	-
Receipts	16,110,774	58,344	46,388,932	241,309	62,799,359
Principal payments	8,540,000	-	-	-	8,540,000
Interest payments	7,571,523	-	-	-	7,571,523
Transfers to general fund	3	-	10,308,855	264,431	10,573,289
Disbursements	16,111,526	-	10,308,855	264,431	26,684,812
U.S. securities, at market	-	6,696,088	41,179,587	1,888,019	49,763,694
Cash in bank	13	605	1,323,013	1,449,753	2,773,384
State of Oregon Local Government Investment Pool	-	-	13,043,055	425,008	13,468,063
Ending balance – December 31, 2020	$ 13	$ 6,696,693	$ 55,545,654	$ 3,762,780	$ 66,005,141

Analysis of Certain Restricted Cash and Investments for Bond Service
Year Ended December 31, 2020

	Investments for Bond Principal & Interest	Debt Service Reserves	SDC Reserves	Construction Funds	Total All Funds
Ending balance – December 31, 2019	$ 206	$ 2,398,358	$ 7,935,754	$ -	$ 10,334,318
Deposits from general fund	3,820,540	-	1,059,638	20,003,302	24,883,480
Investment earnings	52	26,271	108,486	47,942	182,751
Receipts	3,820,592	26,271	1,168,124	20,051,244	25,066,231
Principal payments	1,855,000	-	-	-	1,855,000
Interest payments	1,965,779	-	-	-	1,965,779
Transfers to general fund	15	932,499	3,070,389	8,645,860	12,648,763
Disbursements	3,820,794	932,499	3,070,389	8,645,860	16,469,542
U.S. securities, at market	-	1,491,356	4,582,156	8,661,861	14,735,373
Cash in bank	4	774	-	-	778
State of Oregon Local Government Investment Pool	-	-	1,451,333	2,743,523	4,194,856
Ending balance – December 31, 2020	$ 4	$ 1,492,130	$ 6,033,489	$ 11,405,384	$ 18,931,007

Eugene Water & Electric Board
Sustainability Accounting Standards Disclosures
Years Ended December 31, 2020 and 2019

The following metrics are standardized disclosures recommended by the Sustainability Accounting Standards Board for electric and water utilities. The disclosures are voluntary and are not meant to demonstrate compliance with laws or regulations.

Electric System

Topic	Metric	2020	2019	2018
Greenhouse Gas Emissions & Energy Resource Planning	Number of customers served in markets subject to renewable portfolio standards (RPS). (All retail customers)	95,000	94,000	93,000
	RPS target before exemptions	465,707 MWh	361,808 MWh	365,674 MWh
	Percentage fulfillment of RPS target by market	Greater than 100%	100%	Greater than 100%
Water Management	Number of incidents of non-compliance with water quality and/or quantity permits, standards, and regulations	None	None	None
Workforce Health & Safety	Total recordable injury rate	4.1	3.9	4
	Fatality rate	0	0	0
End-Use Efficiency	Customer electricity savings from efficiency measures (In total across all customer types)	15,053 MWh 3.7 MW reduction in peak demand	10,958 MWh 2.2 MW reduction in peak demand	13,238 MWh 3.5 MW reduction in peak demand
Grid Resiliency	System Average Interruption Duration Index (SAIDI), per customer	41.49 minutes	69.37 minutes	53.63 minutes
	System Average Interruption Frequency Index (SAIFI), per customer	0.32 outages	0.47 outages	0.44 outages
	Customer Average Interruption Duration Index (CAIDI), per outage	130.15 minutes	146.91 minutes	121.19 minutes

RPS compliance information above is preliminary. Final information is published to eweb.org annually by June 1. Savings from efficiency measures are calculated based on the Regional Technical Forum of the Northwest Power and Conservation Council as adopted by Bonneville Power Administration for its regional resource acquisitions.

Water System

Topic	Metric	2020	2019	2018
Water Scarcity	Total fresh water sourced from regions with high or extremely high baseline water stress	None	None	None
	Fresh water purchased from a third party	None	None	None
	Volume of recycled water delivered	None	None	None
Drinking Water Quality	Number of acute health-based, non-acute health-based, and non-health-based drinking water violations	None	None	None
Distribution Network Efficiency	Water pipe replacement rate	.2% of 816 miles or 1.8 miles	.2% of 814 miles or 1.9 miles	.3% of 811 miles or 2.6 miles
Network Resiliency & Impacts of Climate Change	Water treatment capacity located in FEMA Special Flood Hazard Areas	Treatment plant is outside flood zone, intake is within	Treatment plant is outside flood zone, intake is within	Treatment plant is outside flood zone, intake is within
	Number of service disruptions, population affected, and average duration	257 1043 customers 94 minutes	286 1152 customers 125 minutes	268 973 customers 99 minutes

Water pipe is distribution pipe for potable water measuring 2 inches to 60 inches in diameter. Replacements do not include new construction. Total miles for these pipelines is all pipe including new construction.

Audit Comments

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Minimum Audit Standards*

Board of Commissioners
Eugene Water & Electric Board

We have audited the individual and combined financial statements of the Eugene Water & Electric Board (the "Board") as of and for the year ended December 31, 2020 and have issued our report thereon dated March 19, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Board's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-0000 to 162-10-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Julie Desimone

Julie Desimone, Partner,
for Moss Adams LLP
Portland, Oregon
March 19, 2021

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EWEB

Eugene Water & Electric Board
500 East 4th Avenue
Eugene OR 97401

www.eweb.org

Eugene Water & Electric Board

Independent Auditor's Reports and Uniform Grant Guidance Reports

December 31, 2020 and 2019

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* Incorporated by reference only.

MOSSADAMS

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Eugene Water & Electric Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eugene Water & Electric Board's (the Board), which comprise the individual and combined statements of net position as of December 31, 2020, and the related statements revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
March 19, 2021

Report of Independent Auditors on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Commissioners
Eugene Water & Electric Board

Report on Compliance for Each Major Federal Program

We have audited Eugene Water & Electric Board's (the "Board") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Board's major federal programs for the year ended December 31, 2020. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Board as of and for the year ended December 31, 2020, and have issued our report thereon dated March 19, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards are presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and notes to the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

Portland, Oregon
March 19, 2021

Eugene Water and Electric Board
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor/Pass-through Grantor Program Title	Agency or Pass-through Number	CFDA Number	Expenditures	Amount Provided to Subrecipients
US Dept of Homeland Security / State of Oregon Office of Emergency Management Hazard Mitigation Grant Program (Presidentially Declared Disasters)	FEMA-DR-4296-OR	97.039	$ 914,060	$ -
US Dept of Homeland Security / State of Oregon Office of Emergency Management Disaster Grants - Public Assistance (Presidentially Declared Disasters)	FEMA-DR-4432-OR	97.036	3,134,040	-
			$ 4,048,100	$ -

1. Reporting Entity

Eugene Water & Electric Board ("Board") is an administrative unit of the City of Eugene, Oregon. The Board is responsible for the ownership and operations of the electric and water systems.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes all federal grant activity of the Board, under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position, changes in net position or cash flows of the Board.

3. Summary of Significant Accounting Policies and Revenue and Expense Recognition

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is consistent with the financial statements, as described in Note 1 to the Board's December 31, 2020 financial statements. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Board does not utilize the 10 percent de minimis rate for overhead allocation.

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	*Unmodified*			
Internal control over financial reporting:				
• Material weakness(es) identified?	☐	Yes	☒	No
• Significant deficiency(ies) identified?	☐	Yes	☒	None reported
Noncompliance material to financial statements noted?	☐	Yes	☒	No

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	☐	Yes	☒	No
• Significant deficiency(ies) identified?	☐	Yes	☒	None reported
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	☐	Yes	☒	No

Identification of Major Programs and type of Auditor's report issued on compliance for major federal programs

CFDA Number	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
97.039	Hazard Mitigation Grant Program	*Unmodified*
97.036	Disaster Grants- Public Assistance	*Unmodified*

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?	☐	Yes	☒	No

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

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Eugene Water & Electric Board
500 East 4th Avenue
Eugene OR 97401

www.eweb.org

COMMUNICATIONS WITH THOSE
CHARGED WITH GOVERNANCE

EUGENE WATER & ELECTRIC BOARD

December 31, 2020

MOSSADAMS

Communications with Those Charged with Governance and Internal Control Related Matters

To the Board of Commissioners
Eugene Water & Electric Board

Dear Commissioners:

We have audited the financial statements of Eugene Water & Electric Board (EWEB or the Board) as of and for the year ended December 31, 2020, and have issued our report thereon dated March 19, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated September 24, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we considered the Board's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our planning communications letter dated September 24, 2020.

Significant Audit Findings and Issues

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in Note 1 to the financial statements.

In 2019, the Board adopted GASB 84, *Fiduciary Activities*, which established new standards for accounting and financial reporting for fiduciary activities. As a result of adopting GASB 84, the Board identified the EWEB Retirement Benefits Trust (the "Trust") as a fiduciary component unit and has included the balances and activities of the Trust as a fiduciary fund in the current year financial statements. In 2020, the Board implemented GASB 97, *Certain Component Unit Criteria,* which did not impact financial reporting.

The Board adopted GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* which provides temporary relief from certain new accounting and financial reporting requirements in light of the COVID-19 pandemic.

The Board adopted GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplifies accounting for interest cost incurred before the end a construction period. The Board previously used provisions of regulatory accounting to discontinue the capitalized interest process and early adopted this pronouncement prospectively for fiscal year 2019 resulting in no current year impact.

No other new accounting policies were adopted and there were no changes in the application of existing policies during 2020. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimates affecting the financial statements were:

Unbilled Revenue – Unbilled revenue is a measure of revenue earned through the end of the reporting period that has yet to be billed. This generally represents accounts with billing cycles that start in the reporting year and end in the subsequent year. We have evaluated the key factors and assumptions used to develop unbilled revenue in determining that it is reasonable in relation to the financial statements taken as a whole.

Allowance for Doubtful Accounts – This represents an estimate of the amount of accounts receivable that will not be collected. We have evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Recovery Periods for the Cost of Plant – This represents the depreciation of plant assets. Management's estimate of the recovery periods for the cost of plant is based on regulatory-prescribed depreciation recovery periods. We have evaluated the key factors and assumptions used to develop the recovery periods in determining that they are reasonable in relation to the financial statements taken as a whole.

Other Post-Employment Benefit Obligations – This represents the amount of annual expense recognized for post-employment benefits. The amount is actuarially determined, with management input. We have evaluated the key factors and assumptions used to develop the annual expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Mark-to-Market Adjustment – Certain derivative instruments are marked to market at year end. However, the impact to the statements of revenues, expenses, and changes in net position is deferred in accordance with GAAP. We have evaluated the key factors and assumptions used to develop year-end amounts and have determined that they are reasonable in relation to the financial statements taken as a whole.

Net Pension Liability – This represents the amount of pension liability. The amount is actuarially determined, with OPERS management input. We have evaluated the key factors and assumptions used to develop the annual expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Valuation of Investments – Management's estimate of investments is based on current market rates and conditions. We evaluated the key factors and assumptions used to develop the valuation of investments and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Significant disclosures include: Note 2 – Power Risk Management, Note 20 – Commitments and Contingencies and Note 17 – Retirement Benefits.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Corrected Misstatements: None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements as a whole.

1) To close work orders in commercial operation at year end – $2,654,000 (Electric)
2) To close work orders in commercial operation at year end – $115,000 (Water)

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 19, 2021.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Communication of Internal Control Related Matters

In planning and performing our audit of the financial statements of EWEB as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

In addition to the required communications, we have identified the following matters for your consideration. Our recommendations are based on observations and testing during the course of our audit. These recommendations should be evaluated by management and the Commissioners for implementation and EWEB should conduct a cost benefit analysis including consideration of the risks for the recommended action. Management responses were provided by the Board and have not be subjected to audit procedures.

Other Matters

Work Order Controls

Timely closing of work orders
During our testing of open work orders, we noted that certain work orders selected were in commercial operation in 2020 and should have been closed to plant in service prior to year-end.

Recommendation – We recommend that management consider implementing an automated control, if possible, to close out workorders 60 to 90 days after completion. If an automated control is not possible, consider a manual control performed in conjunction with EWEB's review of open work orders at year end to further improve the ability to identify and close work orders that are in commercial operation at year end.

Management Response: Tyler Nice, Electric Operations Manager

The Electric Division will establish process improvements by the end of Q3 and plans to perform the following tasks:

- Re-evaluate the as-is closeout process, confirming the roles and responsibilities for each task in the process
- Analyze root cause of open work order issue
- Partner with Finance to determine options for controls and automation
- Document and implement feasible improvements to ensure open work orders are in the proper status by year end.

IT Controls

Operations
During our review of the IT control operations it was noted that management was not performing formalized reviews of vendor SOC reports for SaaS Solutions, nor mapping of Complimentary User Control Considerations (CUEC's) to controls at the business.

Recommendation – We recommend regular review of SOC reports to assist in vendor and risk management activities. Mapping of CUEC's ensures the business understand their roles and responsibilities, as well as what controls they should have in place to ensure the application is functioning as the vendor intends.

Management Response: Ed Penn, Cyber Security Supervisor

We agree that a regular review of SOC reports would assist in vendor and risk management activities. EWEB's cyber security team has created a process for reviewing SOC reports for all of EWEB's critical SaaS providers. It will be formalized in the second quarter of 2021. This process will be performed annually, and will map complimentary user control considerations to EWEB's controls where necessary. EWEB has classified the following SaaS providers as critical: UltiPro, Sensus RNI, Milestone, Paymentus, and Utilitec.

This communication is intended solely for the information and use of the Board and members of management and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Portland, Oregon
March 19, 2021

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